McCONNELL DOWELL

CREATIVE CONSTRUCTION™

Annual Review 2018

Delivering our promise.

We are strategically positioned for sustained growth in strong markets and via emerging opportunities.

2025
VISION

What we do

We have delivered innovative solutions to complex projects for our customers for over 50 years.

Since 1961, we have built thousands of quality assets and facilities for our customer and communities.

Our expertise has grown steadily to span building, civil, fabrication, marine, mechanical, pipelines, rail, tunnel and underground construction.

With over 3,500 employees and professional engineering and construction teams across Australia, New Zealand, Asia and the Middle East, our customers benefit from our unique mix of local knowledge and international experience.

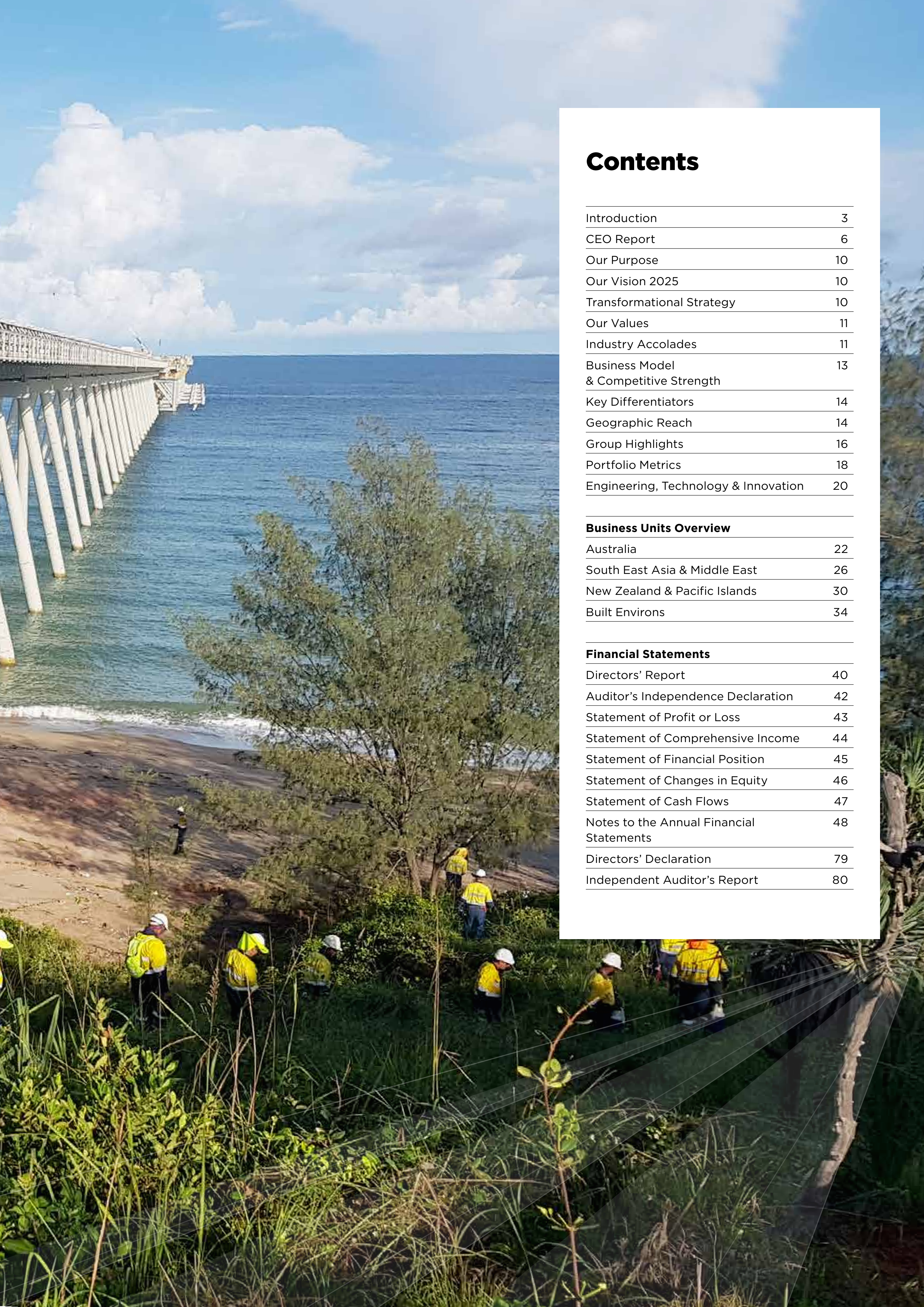
Our culture is founded on expertise, creativity and progressive thinking. We constantly challenge ourselves and our partners to find the best solution for every project. This attitude, along with our safe, high-quality, systematic and structured approach, has earned us the trust and loyalty of our customers.

About this Review

All references in the Review to ‘the year’ or ‘the reporting period’ relate to the financial year, which is 1 July 2017 to 30 June 2018, unless otherwise stated.

All dollar figures are expressed in Australian currency unless stated otherwise.

Amrun Export Facility, Queensland Australia



Contents

‘New leadership, clear strategy and increasing momentum.’

Disciplined, Focused Performance during FY18

1 Restored profitability
2 Launched The McConnell Dowell Way and aligned the Group to a common culture
3 Strengthened engineering, technology and innovation
4 Addressed under performance and resolved legacy matters
5 Strong execution performance across the portfolio
6 Clearly demonstrated value to customers in reaching unprecedented value in preferred status contracts

CEO Report

A Year of Achievements

The 2018 financial year was a defining one for the McConnell Dowell Group (the Group) and represented a substantial turnaround in both financial and operational performance. We finished the year strongly and met expectations in terms of profitability and cash performance. In addition, the Group reached an unprecedented level of work in preferred and/or sole source position totalling over $1.3 billion which provides a greater level of confidence and visibility of near-to-medium term earnings.

We reaffirmed the Group's strategic plan and successfully delivered several important milestones along our transformational journey. The organisational focus shifted to operational integrity and performance and most importantly, customer satisfaction to drive long term relationships.

Customer Focus & Working Together

The year saw a strong improvement in project performance and further demonstrated the most important element of our business; valuable, long term customer relationships. As always, we adopt a collaborative approach to all customer and stakeholder relationships and an unwavering commitment to consistently deliver on what is promised.

We worked hard to solidify our reputation as a nation leading specialist contractor and customer-focused organisation. There were several standout projects for the Group during the year, these include; Northern Gas Pipeline delivered for Jemena in Australia. We devised an innovative installation solution together with outstanding project delivery performance for one of the largest gas transmission pipeline projects in Australia, using 34,000 lengths of pipe.

Another notable project for the year was Urbanest Student Accommodation. Completed in January 2018, this 22-storey building was delivered for Urbanest on a fast-tracked schedule making this the shortest construction period for a building this size in Adelaide.

Paramount to the success of these projects was fully grasping the needs of our customers and stakeholders, and working with all of them to ensure we deliver and fulfil our promises.

Transformation Program

Core to the recent transformation of the McConnell Dowell Group is our Vision 2025; to be a leader in the delivery of infrastructure, building and resource solutions.

Our revised and reinvigorated company Purpose and Values have set the strong foundations required to create long term workplace cultural improvement and sustained profitability. The revised Values are fostering a common culture of working together, accountability, rigour and efficiency and have fully ignited a passion for future success.

A key focus for the year has been the investment to improve our operating systems and processes. We launched The McConnell Dowell Way to enhance and streamline our internal management systems to drive greater consistency, efficiency and predictability across all our business operations.

We have simplified and created a more effective Group Operating Framework. This not only supports our scalable growth but also ensures it remains fit for purpose and value adding in improving our overall performance.

Financial Highlights

We delivered on our commitment to significantly improve our financial performance and return the Group to profitability. We reported a 2018 full year EBITDA of $26.4 million at an underlying level which reflected a strong performance from the active project portfolio.

Off the back of the improved performance and profitability, the Group further strengthened the balance sheet with the completion of the recapitalisation process which reduced debt and improved liquidity.

The main features of the result for the 12 months ended 30 June 2018 were;

- Total revenue was $1.2B up 28% from the previous year;
- Underlying EBITDA was $26.4 million representing a solid return to profitability;
- Finalised several balance sheet management initiatives which included completing the re-capitalisation;

- Cash balance 30 June 2018 of $142 million and was ahead of budget; and
- Restored profitability with improved project execution and margin generation and positive cash flow.

The operating result was solid, having made substantial progress in addressing underperformance on several projects and in securing an unprecedented level of work in preferred and/or sole source position.

Good progress was made on the legacy projects. Historical matters resolved in FY18 saw a net cash positive outcome and a significant reduction in the Group's exposure. All legacy projects are complete with the remaining commercial items anticipated to be cash accretive.

Operational Highlights

The business has renewed confidence and a greater level of predictability and consistency across all projects. This value is core in increasing our reputation as a reliable, consistent project delivery partner. Having come off one of our strongest performing financial years in recent history from a project execution and delivery perspective, there are several standout examples that highlight McConnell Dowell's growing reputation and success.

In Australia, there was excellent performance in project execution and progress on key projects across the region including: Amrun Export Facility Jetty in Queensland; Northern Gas Pipeline in the Northern Territory, Murray Basin Rail Upgrade and Swanson Dock East Rehab Works in Victoria.

New Zealand and Pacific Islands had a renewed focus on operational efficiency with the business unit successfully completing key projects including the Kawarua Falls Bridge, Russley Road Overpass in the South Island and the Mangere BNR in the North Island.

McConnell Dowell set a new distance world record at 1496.48 meters - the longest pipe tunnelled using the Direct Pipe® method - on the Army Bay Wastewater Treatment Plant.

The South East Asia business continued to deliver strong operational performance. This was largely driven by strong progress on the Tuas Bridge, Marina Bay Sands, Rapid Solid Product Jetty and Nakhon Ratchasima Pipeline Projects.

Our building business, Built Environs, continued to deliver solid performance on the construction on The West Franklin Apartments and Urbanest Student Accommodation project in Adelaide.

McConnell Dowell also received significant industry awards and recognition during 2018, a testament to innovation, our creative brand and the commitment of our teams.

New Business

In 2018, the New Business & Strategy teams continued to evolve and implement Work Winning Rules into the business to apply a stronger focus on the needs of our customers whilst pursuing opportunities that will deliver quality results for the Group and our customers. Applying this approach in a disciplined manner has enabled us to make solid advancements and position the business for success within a highly competitive market landscape.

Several high-profile projects have been secured, including;

- Melbourne Airport Runway Development ECI Project and Toll Wharf Upgrade in Victoria;
- Abbotts Road, Aviation Road and Wyndham Stable Yards as part of the Western Program Alliance in Victoria;
- Public Transport Projects Alliance and Regional Bridges for Department of Planning, Transport and Infrastructure in South Australia;
- VTB Submarine Pipeline Project at the ExxonMobil CRISP Facility in Singapore;
- Wynyard Edge Alliance Delivery Partner, Lyttelton Harbour Wastewater Project, Hanua 4 and Te Mato Vai in New Zealand; and
- Pago Pago Airport Apron (Phase 1) and Pago Pago Runway Overlay in American Samoa.

While the level of new work booked was lower than planned, the Group made important progress on several key prospects and secured an unprecedented $1.3 billion in preferred and/or sole source position. McConnell Dowell finished the year with a secured revenue plus preferred position totalling over $2 billion which provides a greater level confidence and visibility of near-to-medium term earnings. The markets in our regions remain buoyant and we have been experiencing a high volume of tendering activity. We have participated in several large-scale and strategic bids that remain pending final award decision.

The Group expects to see an upturn in the order book position as we convert the near-term contracts and continue to pursue further work into FY19. Our prospect pipeline remains strong, diversified across target regions and market sectors and is reflective of our value offering.

We believe our disciplined approach to winning work together with strong market positions provides a solid platform from which to underpin sustained profitability in FY19 and beyond.

Safety and Care

Safety remains the Group's highest priority and is integral to our culture and success. A focus on safety is an enduring journey as we continually identify and execute new safety processes and initiatives.

In 2018, more than 20 million man-hours were worked by the Group. We posted a Total Recordable Injury Frequency Rate 0.54 (2017: 0.66), an 18% reduction from the previous year and the lowest in our recent history.

These positive results are attributed to the strong safety culture of our team, working closely with our subcontractors, inclusive training and education and the ongoing development of all our current safety initiatives;

1. Group's Home Without Harm philosophy continues to underpin our activities. Our commitment to delivering all projects safely is fundamental to the way in which we operate and conduct our operations
2. Safety Golden Rules and HSEQ Pillars, these initiatives, continue to drive the right behaviour and challenge our teams to aim higher in relation to our lead safety indicators and to proactively address safety concerns;
3. Health Safety Environment and Quality (HSEQ) management systems and performance tools, we are driving a systematic approach for achieving our HSEQ objectives while complying with our statutory duties; and
4. CMO, our HSEQ platform, continues to provide useful data trends and provides greater connectivity across all business activities.

People & Leadership

Our people are what makes the Group a success and what keeps us improving our position every year. We continue to make significant efforts to attract, develop, engage and retain the best professionals.

Strong leadership across the group at our Executive level reaffirms our commitment to ensuring a common culture and a set of collective goals. McConnell Dowell's leaders have a vision to improve not only the Company's position but that of our staff.

In 2018, Vito Trantino was appointed as Executive General Manager for the newly established Engineering Technology & Innovation group function. This function provides the engineering capability and our differentiating expertise to a tender across the Group to support winning new work or projects in execution when and where it is needed.

In addition, we continued to enhance and strengthen our senior leadership teams across all Business Units to ensure the right leaders are in the right roles and underpin our ability to deliver our near term business objectives and longer term strategic plan.

Looking Ahead

The coming 12 months will be exciting for the McConnell Dowell Group. We are well poised to realise further growth and maintain appropriate levels of profitability. Our core business objectives for FY19 are to:

- Convert all current preferred and sole source opportunities to work in hand;
- Win further new work and build the order book;
- Drive and deliver planned results around revenue and profitability;
- Maintain the strength of the Balance Sheet;
- Continue to fully leverage the Group's specialist capabilities and expertise across all operating regions; and
- Further build organisational depth and capability.

The Group remains well positioned in growing markets in both core market sectors and with emerging opportunities. We have established a strong foundation for future growth and continue to drive focus on safety, people and operational excellence.

Scott Cummins
CEO

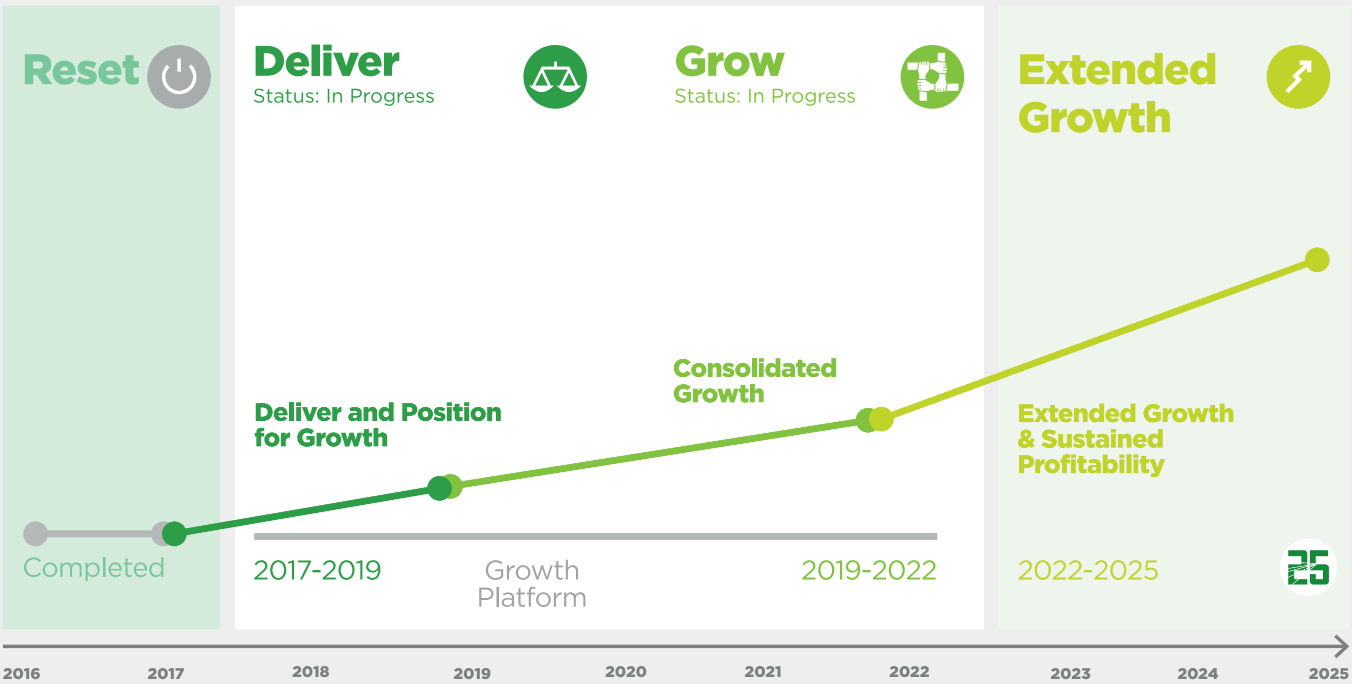
Our Purpose

Providing a better life.

Our Vision 2025

To be a leader in the delivery of infrastructure, building and resource solutions.

Transformational Strategy



Our Values

SAFETY & CARE
HONESTY & INTEGRITY
CUSTOMER FOCUS
WORKING TOGETHER
PERFORMANCE
EXCELLENCE

Industry Accolades

McConnell Dowell is proud to have again received industry recognition for collective efforts over the past 12 months. Awards include:

Master Builders Award
Modbury Hospital Redevelopment

Institution of Civil Engineers 2017 Brunel Medal
Brisbane Ferry Terminals Modbury Hospital Redevelopment

Australian Institute of Building
Modbury Hospital Redevelopment

IPWEA Excellence Award, New Zealand
Mangere Biological Nutrient Removal Upgrade

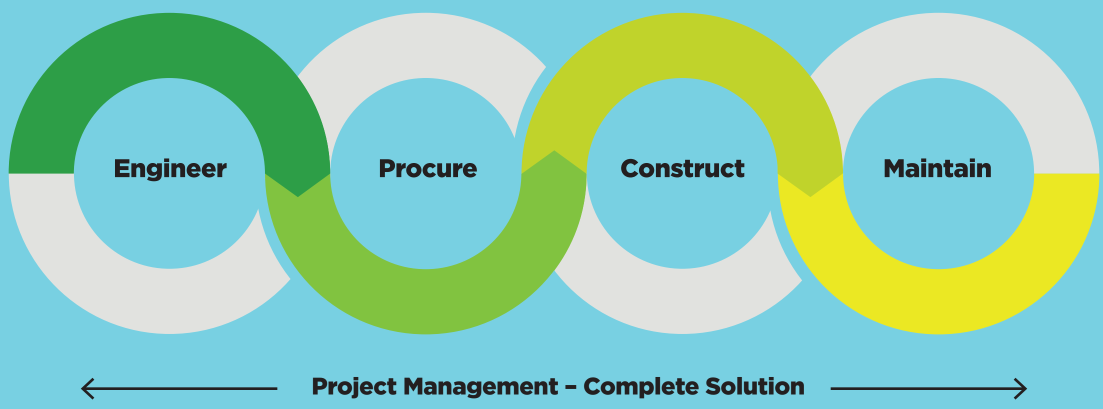
Institution of Civil Engineers 2017 Brunel Medal
Brisbane Ferry Terminals Modbury Hospital Redevelopment

Civil Contractors New Zealand (Auckland Branch)
Mangere Biological Nutrient Removal Upgrade


LEVEL
CROSSING
REMOVAL
AUTHORITY

Business Model & Competitive Strength

Value Offering



Market Sectors

Infrastructure

- Power
- Water & Waste Water
- Transport

Resources

- Mining & Metals
- Oil & Gas
- Petrochemical

Building

- Government
- Commercial/ Industrial
- Social/Residential

Specialist Capabilities

- Marine
- Pipelines
- Tunnel & Underground
- Rail
- Mechanical
- Civil
- Fabrication
- Building

Key Differentiators

Brand Reputation

Engineering & Innovation

Respected , Collaborative & Reliable Delivery Partner

Specialist Capabilities

Diversity by Sector, Discipline & Geography

Geographic Reach


McCONNELL
DOWELL

Group Highlights

FY18 Operational & Financial Performance

After a strong year of consolidation, the McConnell Dowell Group is entering the 2019 Financial Year with purpose and energy.

- Substantial turnaround in financial and operational performance
- Return to profitability, revenue growth & cash generation – positioned for sustained performance
- Launched the McConnell Dowell Way to drive consistency – Clear Operating Framework & Vision 2025 and revised company Purpose and Values
- Good progress in the resolution of legacy/historical issues
- Project Portfolio delivering strong, sustainable performance
- Core markets providing strong opportunities across all operating regions and underpinning growth agenda
- Strong focus on new business processes and early customer engagement practices showing in our record level of Preferred/ECI/Sole Source tender positions.
- Focused on converting preferred positions to secured WIH in near-term
- Continuing to leverage competitive advantage to target selected markets and projects
- Continued drive on project performance, consistency and reliability

Waterview Tunnel, New Zealand

28%
Revenue Growth

Strong Project Performance
driving revenue growth

Over $2B
Work in Hand and Preferred

Existing Order Book plus $1.3B preferred status or sole source position. Multiple contract awards expected over coming period

$142M
Cash Balance

As at 30 June 2018
Ahead of budgeted cash position

$26.4M EBITDA
Return to profitability & delivered expectations

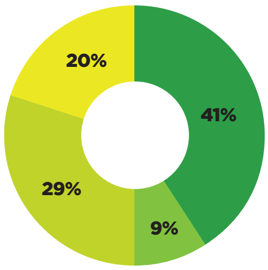
Business Units entering growth phase
and returning to profitability

Portfolio Metrics

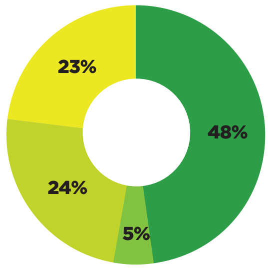
By Business Unit

- Australia
- South East Asia & Middle East
- New Zealand
- Built Environs

Work in Hand



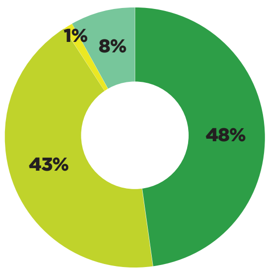
Future Pipeline



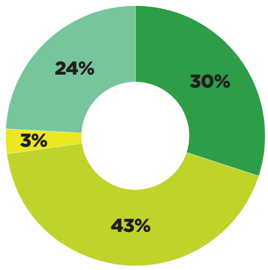
By Revenue Type

- Construct Only
- Design & Construction
- Service
- Alliance

Revenue



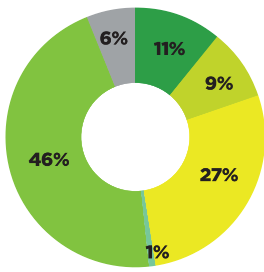
Work in Hand



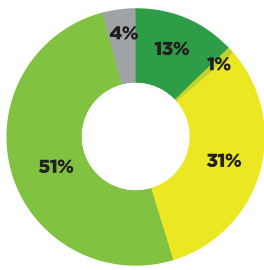
By Market Sector

- Building
- Mining & Metals
- Oil & Gas
- Power
- Transport
- Water

Revenue



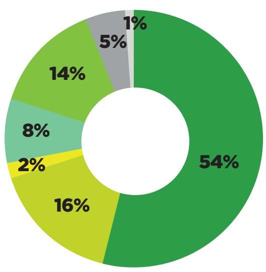
Work in Hand



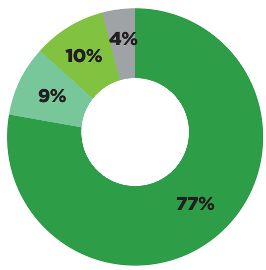
By Specialist Capability

- Civil & Marine
- Rail
- Mechanical
- Building
- Pipeline
- Tunnel & Underground
- Fabrication

Revenue



Work in Hand



Revenue by Business Unit

Engineering, Technology & Innovation

Vito Trantino
Executive General Manager,
Engineering, Technology
& Innovation

The Engineering, Technology and Innovation function leads engineering excellence, innovation and value creation to develop innovative technical solutions.

Creative Construction remains a key component for our business and our reputation relies highly on our ability to deliver value consistently across all of our operating regions and market sectors.

An Engineering, Technology and Innovation Function was formed this year to further strengthen our engineering excellence, innovation and value creation across all of our specialist capabilities. McConnell Dowell is widely recognised for our innovative approach to value engineering and optimising technical and constructability solutions.

The Group's Engineering, Technology & Innovation function:

- Strengthens customer, consultant and partner relationships through strategic collaboration;
- Provides technical leadership in key specialist capability areas, including marine, pipelines, tunnels and underground, dams and hydropower, and mechanical;
- Enhances McConnell Dowell's Creative Construction brand recognition in the marketplace through innovation;
- Embeds engineering standards, processes, systems and capabilities to enable consistent delivery of engineering and technical solutions;
- Drives competitive advantage with innovative engineering, technical solutions, technology and cost-effective approaches; and
- Continues to promote a culture of collaboration, continuous improvement and knowledge sharing, while providing governance over all engineering activities across the Group.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Business Unit

Australia

Jim Frith
Manager Director,
Australia

The region continues to exhibit good work opportunities, particularly in the transport infrastructure and resources sectors.

The revenue of the Australia Business Unit increased by 79% to AUD587 million (2017: AUD328 million), delivering good financial performance. This reflected our selective approach to bidding and sound project execution on such projects as the Amrun Chith Export Facility in Far North Queensland, the Northern Gas Pipeline traversing in the Northern Territory and into Queensland, and the Murray Basin Rail Upgrade and Swanson Dock East Rehabilitation Works projects in Victoria.

The Region secured several key projects throughout the year including Melbourne Airport Runway Development ECI Project and Abbotts Road level crossing removal (as part of the Western Program Alliance) in Victoria. In addition was the success securing the Public Transport Projects Alliance and Regional Bridges for Department of Planning, Transport and Infrastructure in South Australia.

While recently awarded projects achieved planned performance, operating earnings were impacted by a small number of historic loss-making contracts which are close to being completed and fully resolved.

The Business Unit is well placed to secure a range of projects across the Resource, Energy and Transport infrastructure sectors in 2019 and beyond as several State Governments continue to invest and the commodity cycle improves. Competition, however, is expected to increase in parallel with resource constraints as market activity lifts, thus reinforcing the need to selectively target projects where we can best leverage our capabilities.

Active Projects

- Northern Gas Pipeline, Northern Territory
- Western Program Alliance, Victoria
- Amrun Export Facility, Queensland
- Melbourne Airport Runway Development Program (ECI Stage), Victoria
- Kidston Pumped Hydro Storage (ECI Stage), Queensland
- Public Transport Alliance, South Australia
- Dryandra Road Underpass, Queensland
- Swanson Dock East Upgrade, Victoria

Dryandra Road, Queensland Australia

Australia

Projects

1 Amrun Export Facility, Queensland

In partnership with Rio Tinto, Bechtel and Jacobs, McConnell Dowell completed the Amrun Chith Export Facility to support Rio Tinto's expanding mining operations south of Weipa in Far North Queensland.

The project continued McConnell Dowell's long-standing leadership in the marine construction industry with the 650 metre long jetty and 350 metre long wharf completed in just seven months.

The team used an innovative modular construction approach which resulted in higher productivities, reduced work over water, and mitigated numerous safety risks.

2 Northern Gas Pipeline, Northern Territory

McConnell Dowell completed 481 km of a natural gas pipeline linking Tennant Creek in the Territory with Mount Isa in Queensland. Constructed for Jemena.

3 Western Program Alliance, Victoria

The Western Program Alliance, comprising McConnell Dowell, the Level Crossing Removal Authority, Arup and Mott MacDonald is working on a multi-million-dollar contract to remove the level crossing on Kororoit Creek Road in Williamstown North (to be completed in May). The works also include the duplication of part of the Altona Loop. Work has also commenced at the Abbotts Road level crossing in Dandenong South.

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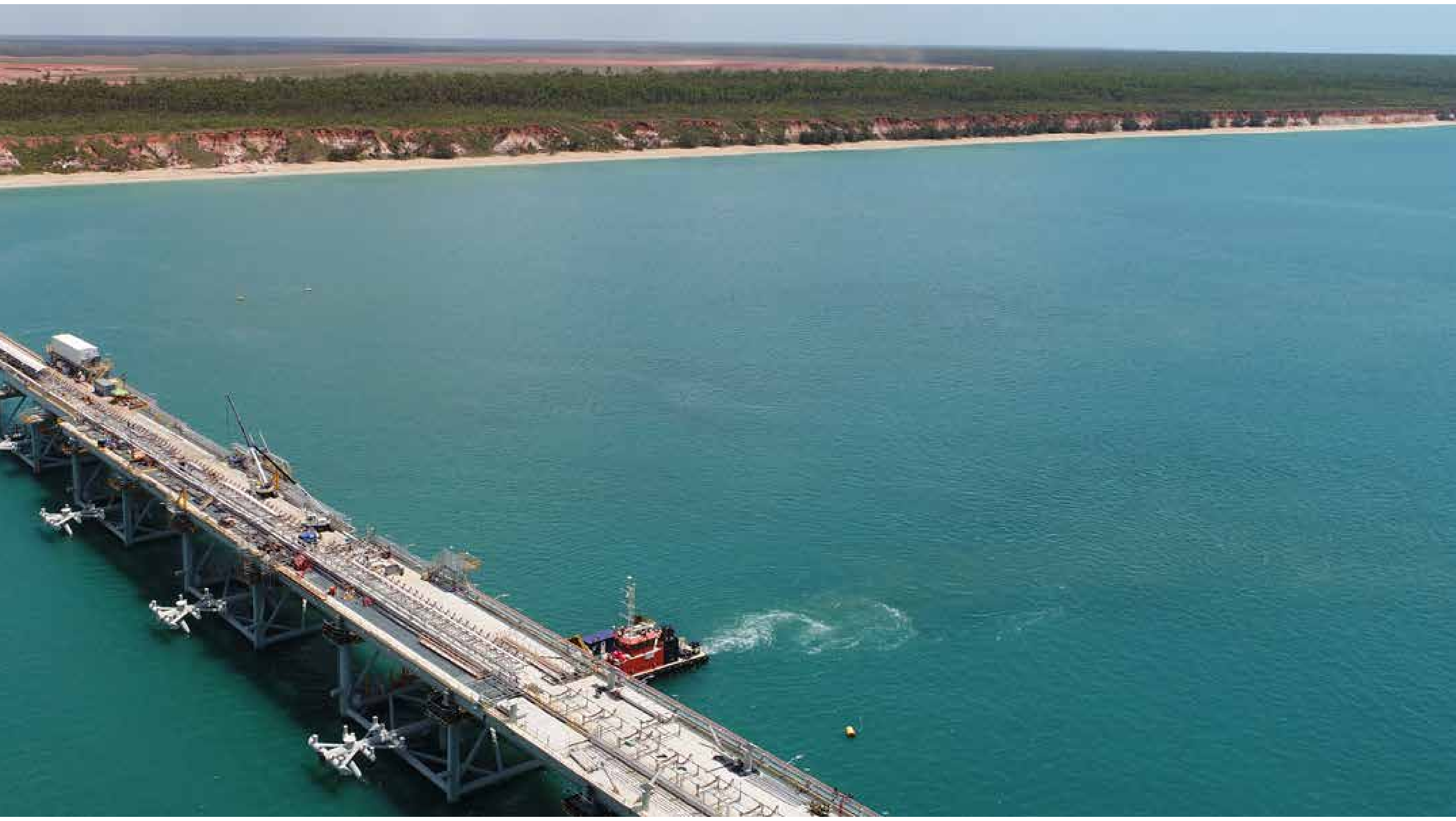

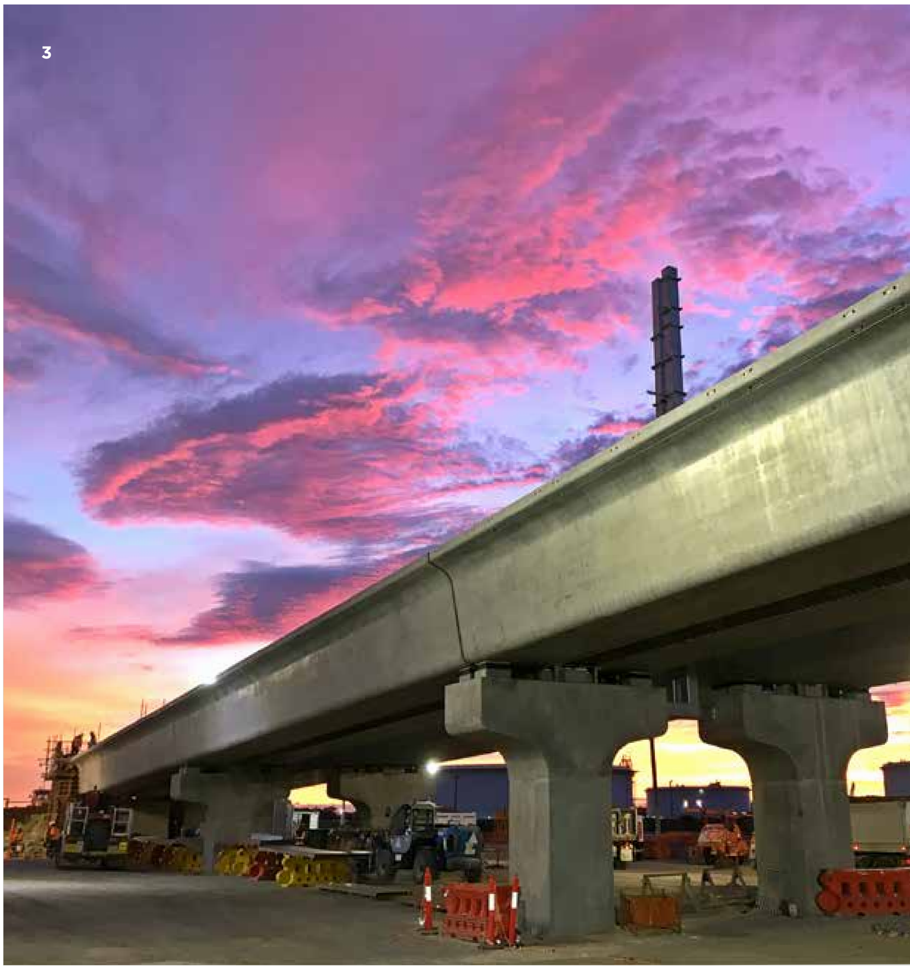
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Business Unit

South East Asia & Middle East

Stephen Rogers
Manager Director,
South East Asia

Growth across the region is multifaceted with a strong pipeline of prospects, particularly in both Singapore and Indonesia.

South East Asia operations experienced an 11% increase in revenue to AUD263 million (2017: AUD237 million), driven by strong progress on the Tuas Bridge, Marina Bay Sands, Rapid Solid Product Jetty and Nakhon Ratchasima Pipeline Projects.

Strong operating margin and EBIT were generated across the projects portfolio, however, these results were negatively impacted by underperformance on two underpass projects in Singapore and a mechanical services contract in Malaysia. The Tangguh LNG export jetty continues to advance but is experiencing schedule impacts associated with the remote and difficult site location.

The business unit secured new contracts in Singapore including a tunnel at Jurong Island for Sembcorp and the VTB Submarine Pipeline Project to be installed at the greenfield ExxonMobil CRISP Facility. Tendering levels remain high, but the business continues to experience strong competition across all market sectors and countries in the Region.

The South East Asia Business Unit maintains the capability and capacity to execute projects across all market sector offerings: marine, pipelines, tunnels and underground, SMP and civil and infrastructure. The business unit focuses on select opportunities where it can demonstrate a competitive advantage in complexity, scale and intricacy of the work.

The Middle East operations, which is operated in association with Dutco, and forms part of the South East Asia Business Unit continues to perform satisfactorily.

Active Projects

- Marina Bay Sands Project, Singapore
- Sims Rd Underpass, Singapore
- Tuas Road Bridges, Singapore
- Petronas RAPID 12B Solid Product Jetty, Malaysia
- Nakhon Ratchasima Pipeline Extension, Thailand
- Orchard Boulevard Underpass, Singapore
- Great World City Underpass, Singapore
- Mechanical and Civil Works for Toyo RAPID Cracker, Malaysia
- Tangguh LNG Export Jetty EPC, Singapore
- ADCO Flowlines and Wellhead Installation, Dubai
- ExxonMobil VTB Submarine Pipeline, Singapore

Marina Bay Sands, Singapore

South East Asia

Projects

1 Petronas Rapid 12b Solid Product Jetty, Malaysia

The delivery of Engineering, Procurement, Construction and Commissioning (EPCC) of the Solid Product Jetty and associated Handling Facilities (SPJ) at Tanjung Setapa as part of the RAPID project in Malaysia.

The package includes:

- A Solid Handling Jetty comprising of a 1300 metres trestle, 710 metre jetty head, 2 container berths and a sulphur loading berth
- Onshore Civil Works comprising of a container stacking yard, truck and trailer parks, a workshop area along with distributor roads and utilities
- Industrial Buildings comprising of a 450 metre long sulphur stockpile warehouse, at terminal operation building, an administration building, workshop, substations and other ancillary buildings
- A topside and landslide material handling system for sulphur with loaders and unloaders including all mechanical and electrical works

2 Tuas Road Bridges, Singapore

The design and build of two road access bridge at Tuas Basin to serve an up and coming NEA and PUB integrated Waste Management Facility (IWMF) and Tuas Water Reclamation Plant (TWRP) will be constructed in the future.

Two road bridges over the intake canal of Tuas Power Station

- Route 2 Bridge - Vehicular Road Bridge, 500 metre long
- Route 3 Bridge – Vehicular Road Bridge 750 metre long
- Marine Deck 450 metre long at Tuas View Basin

Constructing the bridge over Tuas Power Generation's intake canal without encroaching into their area. To achieve this a bridge, with a 70 meter long span to was designed, one of the longest single spans in Singapore.

3 Nakhon Ratchasima Pipeline Extension, Thailand

The Nakhon Ratchasima Pipeline Project is being delivered for PTT Public Company Limited, Thailand's state-owned oil and gas company. The project involves the design, procurement, construction and commissioning of a 48 km, 28 inch diameter gas pipeline linking the Provincial Gas Transmission Pipeline Project to Nakhon Ratchasima Extension Phase.

The works include procurement of all line pipe, valves and permanent materials, construction of four block valve stations and tie-in facilities, SCADA and communications systems. The project has employed innovation construction methodology including trenchless technology to minimise impact on stakeholders.

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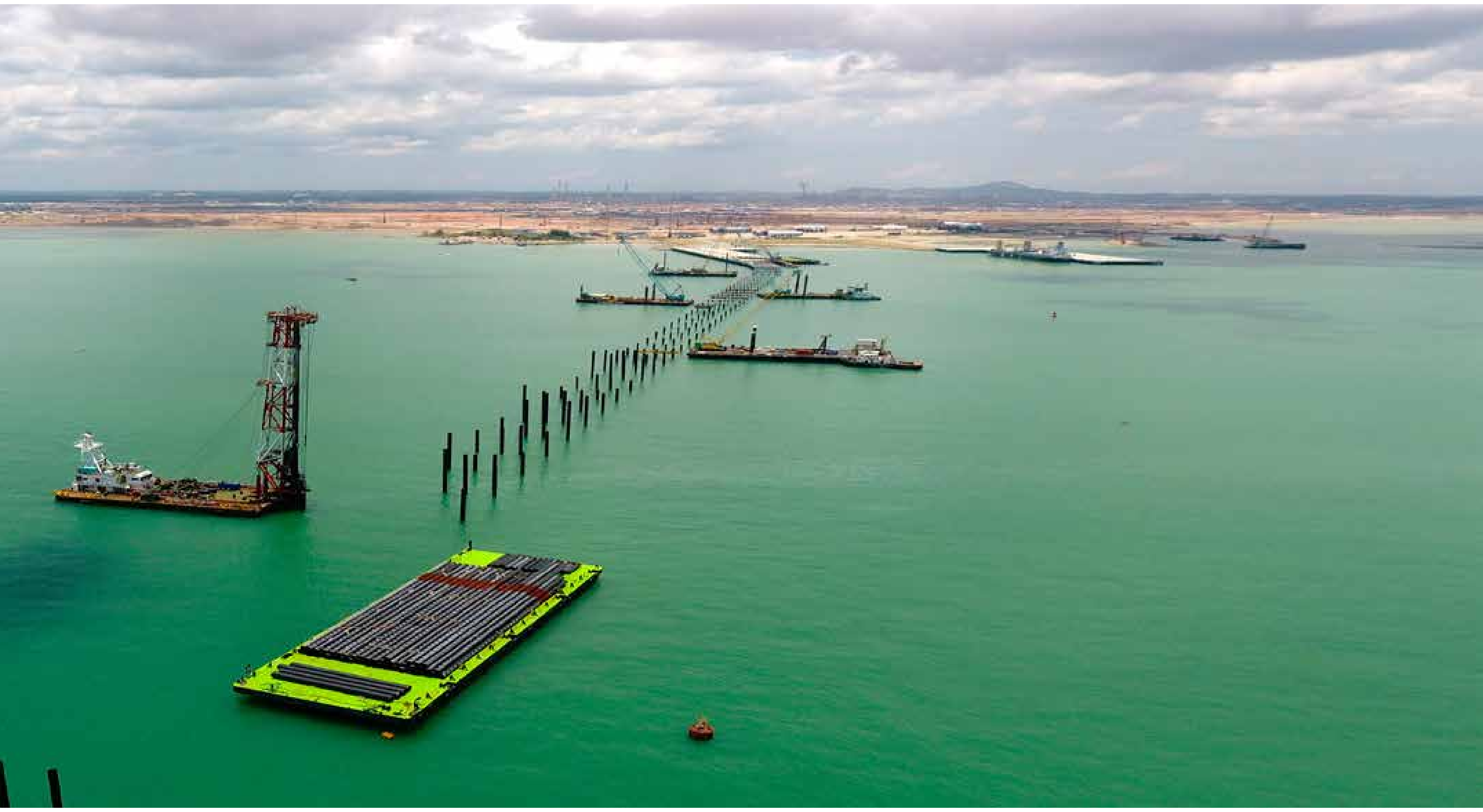

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Business Unit

New Zealand & Pacific Islands

Fraser Wyllie
Managing Director,
New Zealand
& Pacific Islands

The market in New Zealand continues to gain momentum with Government investment in large-scale projects. A higher level of market activity is expected over the coming period.

The New Zealand and Pacific Islands business unit successfully completed key projects within the region including the Kawarau Falls Bridge, Russley Road Overpass in the South Island, and the Mangere Biological Nutrient Reactor Upgrade in the North Island. The Mangere BNR Project represents a critical piece of Auckland Infrastructure and McConnell Dowell secured the Supreme Award from the Civil Contractors New Zealand Excellence Awards 2018. The revenue of the business unit declined to AUD174 million (2017: AUD270 million).

Operational performance was strengthened during the year as good progress was made on the City Rail Link project in the Auckland CBD, Sumner Road rebuild and the Christchurch Southern Motorway.

One highlight of the year was the signing of the Interim Partner Alliance Agreement for Wynyard Edge Alliance set up to deliver the infrastructure required for the 36th Americas Cup in Auckland. Contracts were confirmed for the Lyttelton Harbour Wastewater Project, and significant Sumner Rd rebuild variations in New Zealand, Te Mato Vai (Cook Islands) and Pago Pago Airport Apron (Phase 1) and Runway Overlay in American Samoa.

A change to a Labour led coalition Government has resulted in a reassessment of required infrastructure, and the core markets are expected to remain relatively stable in the near term with larger capital projects returning to the medium-term pipeline. The business is positioned to secure several targeted projects in the marine, water and transport sectors to underpin revenue growth in 2019.

Active Projects

- City Rail Link, Auckland
- Army Bay Outfall Upgrade, Auckland
- Diamond Harbour & Lyttelton Waste Water, Canterbury
- Lyttelton Tunnel Deluge Upgrade, Canterbury
- Christchurch Southern Motorway Stage 2, Christchurch
- Te Mato Vai, Rarotonga, Cook Islands
- Pago Pago Runway Overlay, American Samoa
- Pago Pago Airport Apron (Phase 1), American Samoa


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New Zealand & Pacific Islands

Projects

1 City Rail Link Contract 2, Auckland

McConnell Dowell is working on the largest infrastructure project in Auckland. The project for City Rail Link (CRL) is part of a Joint Venture (Connectus) with Hawkins will see the construction the cut and cover tunnels under and along key transport corridors in the CBD.

This vital project will build a key missing link in Auckland's public transport network. Once completed, the CRL will turn a one-way cul-de-sac rail system at Britomart, into a two way through system that will be able to carry 30,000 people an hour, providing an efficient and reliable transport choice for Aucklanders.

2 Mangere Wastewater Treatment Plant Biological Nutrient Removal, South Auckland

Watercare expanded the processing facilities at the Mangere Wastewater Treatment Plant by building an additional Biological Nutrient Removal (BNR) facility. McConnell Dowell & HEB Joint Venture was awarded the project due to our ability to deliver an optimal solution for the customer at the right price.

The scope of work involved the construction of two new reactors, two clarifiers, a blower building, ethanol dosing facility, several pump stations, splitter boxes, secondary effluent pipeline, sludge storage tanks and interconnecting pipework. This provided additional secondary wastewater treatment capacity for approximately 250,000 people.

The project also included the construction of a new road linking Ascot Road and Puketutu Island, and an embankment to the south of the new facility. The embankment and associated landscaping enhanced the appearance of the plant and minimised the impact of the expansion on residents.

3 Army Bay Outfall, Auckland

McConnell Dowell has commenced working on the Army Bay Outfall for Watercare in Auckland. The project will involve constructing a new outfall for Auckland's third largest wastewater treatment plant Installing 3 km of pipeline (2 km onshore, an off-shore transition and approximately 1 km underwater), upgrades to the UV treatment plant and a pump station.

1

2

3

Business Unit

Built Environs

Daryl Young
Managing Director,
Built Environs

Good growth prospects in the commercial and residential sector are expected as business confidence remains positive in the Australia and New Zealand region.

McConnell Dowell's commercial building arm, Built Environs continues to advance its turnaround plan. Revenue increased by 92% to AUD90 million (2017: AUD47 million) which reflects the termination of the U2 on Waymouth contract. Built Environs is restoring operational excellence and broadening its market presence and activity in line with the growth plan.

Construction on The West Franklin Apartments is progressing to plan, and the Urbanest Student Accommodation project achieved practical completion in January 2018 making this the fastest construction of a 22-storey building in Adelaide.

The primary strategic objective of Built Environs is to establish critical size and scale of the operations through expansion into adjacent and complementary sectors and geographies. The business is now active in a diverse range of sectors, including apartments, student accommodation, hotels, health, defence, and education.

New contract awards on HMAS Stirling Base, Garden Island for the Department of Defence, Auckland City Mission HomeGround Development in New Zealand and early contractor involvement opportunities for the GSA Accommodation and 157 Waymouth Street. However, these opportunities are dependent on conversion into design and build contracts.

Built Environs has made good progress in establishing its brand in New Zealand and is well placed to secure new work in the region.

Active Projects

- West Franklin Apartments, South Australia
- HMAS Stirling CEPS2 & BU1, Western Australia
- Auckland City Mission HomeGround Project, New Zealand

Built Environs

Projects

1 & 2 Urbanest Student Accommodation, Australia

This development addresses the need to support the growing international and domestic student sector by delivering an additional 689 purpose built student beds to the Adelaide market.

3 West Franklin Apartments, Australia

The two tower development, comprising 17 and 19 levels, will deliver approximately 280 apartments on the former Balfours site, located at the corner of Franklin Street and Elizabeth Street, in the Adelaide

CBD. The development includes ground floor retail tenancies, a lap pool, common areas, dining areas, and an external BBQ terrace on level 7. Level 7 also comprises a sauna, steam room, gym, a golf simulator and cinema. There is also a rooftop shared common area for residents. The project will be finished externally with a landscape green wall to screen the car parking levels.

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Financial Statements 2018

The Directors present their report on the consolidated entity consisting of McConnell Dowell Corporation Limited (the Company) and its controlled entities for the year ended 30 June 2018.

Directors and Company Secretary

The following persons were Directors of McConnell Dowell Corporation Limited during the financial year and up to the date of this report:

Directors

S.V. Cummins, E.K. Diack, D.J. Morrison, I Luck,

A.H. Macartney, C.D. Lock (appointed 1 September 2017), S.J. Flanagan (appointed 6 December 2017)

Resignations:

W.J.N. Hearst (resigned 31 January 2018)

M.I. Seedat (resigned 24 November 2017)

H.J. Verster (resigned 22 September 2017)

Company Secretary

D.J. Morrison

Principal activities

The principal activity of the consolidated entity is infrastructure construction. There were no significant changes in the principal activities of the consolidated entity during the year.

Consolidated result

The consolidated result for the year attributable to the members of McConnell Dowell Corporation Limited was a profit after tax of $7.98 million on total group revenue of $1,170 million.

The FY18 financial performance represents a successful return to profits, improved operational performance, revenue growth and positive cash generation. The company has resolved the majority of its open legacy project positions during the year, the largest of which was the arbitration decision for the QCLNG Pipeline project which generated a large loss that was reflected within the 2017 financial result.

Dividends

No dividend (2017 – nil) was declared or paid during the year ended 30 June 2018 to the parent company shareholder.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements and notes following.

Indemnification and insurance of directors and officers

McConnell Dowell Corporation Limited, to the extent permitted by law, indemnify each Director and Company Secretary of the entity and its subsidiaries against liability incurred in the performance of their roles as officers. The directors listed above, individuals who act as Director or Company Secretary of the Company's subsidiaries and certain individuals who formerly held any of these roles also have the benefit of the indemnity. During the financial year the company paid an insurance premium insuring officers of the consolidated entity for costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate. The officers of the consolidated entity covered by the insurance policy included the directors listed in this report and all other executive officers and other officers of the consolidated entity. The contract of insurance prohibits disclosure of the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Safety and environmental regulations

The consolidated entity is committed to the highest standard of environmental and workplace safety performance.

The Executive Committee (Exco) has the specific charter to monitor the consolidated entities' performance in respect to its policies and procedures to ensure its obligations are met.

The consolidated entity is subject to various environmental and safety regulations under either Commonwealth, State or other international legislation. The Board believes the consolidated entity has adequate systems in place for the management of its environmental and safety policies and is not aware of any breach of these requirements as they apply to the consolidated entity.

Likely developments and expected results of consolidated entity

In the opinion of the directors, it would prejudice the interests of the consolidated entity if any further information on likely developments in the operations of the consolidated entity and the expected results of operations were included herein, and the omission of such information is hereby disclosed.

Events subsequent to balance date

No significant events have occurred subsequent to balance date.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) and where noted ($'000's) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Corporations Instrument applies.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia has not received or are not due to receive any amounts for the provision of non-audit services.

Auditor independence declaration

The company has obtained an Auditor's Independence Declaration from Ernst & Young Australia. The Auditor's Independence Declaration is located on the following page.

The annual financial statements which appear on pages 43-78 were approved by the directors by resolution dated 25 September 2018 and are signed on their behalf.

Going concern and liquidity

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The company enters the 30 June 2019 financial year with a more sustainable Statement of Financial Position than at the previous year end, which has been recapitalised by its immediate parent company during the year.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2019 and beyond which indicate significant construction opportunities ahead. The company has more than $1.0bn worth of opportunities (based on contract value) that are in sole source negotiations or in Early Contractor Involvement stage and therefore it is probable that these will be converted to contracted projects in the year ending 30 June 2019 and subsequent years (this figure is provided as additional non-IFRS information).

The Group has opportunities to further improve cash resources from claim settlements and seek external financial support if required. The Group has also confirmed financial support from its ultimate parent company, Aveng Limited covering a minimum of 12 months from the date of these financial statements subject to consents that the Directors do not consider would be unduly withheld if required.

These detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient cash resources for the foreseeable future.

The Company has met its banking covenants for 30 June 2018 resulting in no breaches at year-end and forecasts indicate no breaches in the upcoming financial quarters.

The Group retains the support of its lenders, guarantee providers, and insurance bonding providers.

In the opinion of the Directors, the market opportunities in all areas in which the Group operates are strong and provide the basis to grow the Group's order book.

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment are always required the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

S. V. Cummins
Director
25 September 2018

D. J. Morrison
Director
25 September 2018

Auditor's Independence Declaration

For the year ended 30 June 2018

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of McConnell Dowell Corporation Limited

As lead auditor for the audit of McConnell Dowell Corporation Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of McConnell Dowell Corporation Limited and the entities it controlled during the financial year.

Ernst & Young

David Shewring
Partner
25 September 2018

Statement of Profit or Loss

For the year ended 30 June 2018

All figures are in A$ 000's	Note	Consolidated 2018	Consolidated 2017
Revenue	2	**1,170,067**	905,569
Less: change in revenue estimates	2	**-**	(317,048)
Net Revenue		**1,170,067**	588,521
Other income	2	**11,197**	16,355
Total Income		**1,181,264**	604,876
Operating expenses	3	**(1,154,189)**	(917,680)
Operating expenses relating to change in cost estimates		**-**	(115,750)
Depreciation	10	**(13,028)**	(16,948)
Bad debt		**-**	(45)
Share of associate profit / (losses)	11	**(636)**	1,533
Finance income	4	**961**	685
Finance costs	4	**(2,849)**	(4,547)
Profit / (loss) before tax		**11,523**	(447,876)
Income tax expense	6	**(3,547)**	(22,038)
PROFIT / (LOSS) AFTER TAX FOR THE YEAR		**7,976**	(469,914)
Attributable to:			
Members of the parent entity	25	**7,806**	(469,980)
Non-controlling interest	26	**170**	66
PROFIT / (LOSS) AFTER TAX FOR THE YEAR		**7,976**	(469,914)

The above Statement of Profit or Loss is to be read in conjunction with the accompanying notes

Statement of Comprehensive Income

For the year ended 30 June 2018

All figures are in A$ 000's	Note	Consolidated 2018	2017
PROFIT / (LOSS) AFTER TAX FOR THE YEAR		**7,976**	(469,914)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**2,579**	(3,902)
Income tax (expense) / benefit relating to other comprehensive income	24	**442**	148
Other comprehensive income for the year net of tax		**3,021**	(3,754)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**10,997**	(473,668)
Attributable to:			
Members of the parent entity		**10,815**	(473,722)
Non-controlling interest		**182**	54
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**10,997**	(473,668)

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes

Statement of Financial Position

For the year ended 30 June 2018

All figures are in A$ 000's	Note	Consolidated 2018	Consolidated 2017
ASSETS			
Current assets			
Cash & cash equivalents	9	**141,762**	120,443
Inventories	7	**1,940**	918
Asset held for sale	13	**9,776**	-
Trade and other receivables	8	**294,464**	355,230
Prepayments		**1,222**	1,160
Income tax receivable		**1,959**	1,023
TOTAL CURRENT ASSETS		**451,123**	478,774
Non-current assets			
Property, plant and equipment	10	**40,280**	59,878
Investment in and loans to associates and others	11	**2,908**	5,209
Deferred tax assets	14	**52,966**	53,006
TOTAL NON-CURRENT ASSETS		**96,154**	118,093
TOTAL ASSETS		**547,277**	596,867
LIABILITIES			
Current liabilities			
Trade and other payables	15	**310,310**	308,404
Other current liabilities	16	**-**	10,000
Non interest bearing shareholder loan	19	**10,000**	170,000
Interest bearing loans and borrowings	17	**11,779**	10,386
Provisions	18	**29,390**	67,000
TOTAL CURRENT LIABILITIES		**361,479**	565,790
Non-current liabilities			
Interest bearing loans and borrowings	17	**8,383**	11,221
Provisions	18	**4,145**	4,477
Other liabilities		**-**	8
TOTAL NON-CURRENT LIABILITIES		**12,528**	15,706
TOTAL LIABILITIES		**374,007**	581,496
NET ASSETS		**173,270**	15,371
Equity			
Contributed equity	23	**257,765**	110,765
Reserves	24	**1,828**	(1,193)
Retained earnings	25	**(86,652)**	(94,458)
Parent interests		**172,941**	15,114
Non-controlling interests	26	**329**	257
TOTAL EQUITY		**173,270**	15,371

The above Statement of Financial Position is to be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the year ended 30 June 2018

							Consolidated	
All figures are in A$ 000's	**Ordinary shares**	**Preference Shares**	**Foreign currency translation reserve**	**Asset revaluation reserve**	**Capital reserves**	**Non-controlling interest**	**Retained earnings**	**Total equity**
Balance as at 1 July 2016	70,765	40,000	(647)	385	2,811	481	375,522	489,317
Profit / (loss) for the period	-	-	-	-	-	66	(469,980)	(469,914)
Other comprehensive income	-	-	(3,742)	-	-	(12)	-	(3,754)
Total comprehensive income for the period		-	(3,742)	-	-	54	(469,980)	(473,668)
Transactions with owners in their capacity as owners:								
Dividend paid (note 5)	-	-	-	-	-	(278)	-	(278)
Aggregate of amounts transferred from / (to) reserves		-	-	-	-	-	-	-
Balance as at 30 June 2017	**70,765**	**40,000**	**(4,389)**	**385**	**2,811**	**257**	**(94,458)**	**15,371**
Profit / (loss) for the period	**-**	**-**	**-**	**-**	**-**	**170**	**7,806**	**7,976**
Other comprehensive income		**-**	**3,021**	**-**	**-**	**12**	**-**	**3,033**
Total comprehensive income for the period		**-**	**3,021**	**-**	**-**	**182**	**7,806**	**11,009**
Transactions with owners in their capacity as owners:								
Share Issue 147m shares issued at $1 each	**147,000**							**147,000**
Dividend paid (note 5)	**-**	**-**	**-**	**-**	**-**	**(110)**	**-**	**(110)**
Aggregate of amounts transferred from / (to) reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
BALANCE AS AT 30 JUNE 2018	**217,765**	**40,000**	**(1,368)**	**385**	**2,811**	**329**	**(86,652)**	**173,270**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes

Share Issue

On 15th September 2017 Aveng Limited approved the recapitalisation of $147m of the non-interest bearing shareholder loan into ordinary share capital.

Statement of Cash Flows

For the year ended 30 June 2018

All figures are in A$ 000's	Note	Consolidated 2018	2017
Cash flows from operating activities			
Receipts from customers		**1,224,888**	900,604
Payments to suppliers and employees		**(1,187,835)**	(948,275)
Interest received		**961**	685
Other finance costs		**(1,753)**	(3,413)
Income tax and other taxes paid		**(4,077)**	(6,903)
NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES	9	**32,184**	(57,302)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11,313)**	(15,690)
Proceeds from the disposal of property, plant and equipment		**17,080**	20,181
Repayments from / (loans to) associates		**1,685**	1,100
NET CASH FROM INVESTING ACTIVITIES		**7,452**	5,591
Cash flows from financing activities			
Proceeds from parent company loan		**32,000**	38,000
Repayment of parent company loan		**(45,000)**	-
Proceeds from borrowings		**7,759**	19,006
Repayment of borrowings		**(9,204)**	(9,144)
Interest paid		**(1,096)**	(1,134)
Equity dividends paid	5	**(110)**	(278)
NET CASH USED IN FINANCING ACTIVITIES		**(15,651)**	46,450
Net increase / (decrease) in cash and cash equivalents		**23,985**	(5,261)
Cash and cash equivalents at the beginning of the period		**120,443**	127,562
Exchange movements on cash		**(2,666)**	(1,858)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	**141,762**	120,443

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes

Notes to the Annual Financial Statements

For the year ended 30 June 2018

1. Accounting Policies

COMPANY DETAILS

McConnell Dowell Corporation Limited (the Company) is a public unlisted for-profit company incorporated and domiciled in Australia. The Company's registered place of business is Level 3, 109 Burwood Road, Hawthorn, Victoria, Australia.

The ultimate Australian parent is Aveng Australia Holdings Pty Ltd. The ultimate parent is Aveng Limited (a company incorporated in South Africa).

BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, except for certain financial instruments (when applicable) which have been measured at fair value. Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000's) except when otherwise indicated in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The financial report was approved by a resolution of the Directors of the Company on 25 September 2018.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The company enters the 30 June 2019 financial year with a more sustainable Statement of Financial Position than at the previous year end, which has been recapitalised by its immediate parent company during the year.

The Directors have reviewed business plans and detailed financial budgets for the year ending 30 June 2019 and beyond which indicate significant construction opportunities ahead. The company has more than $1.0bn worth of opportunities (based on contract value) that are in sole source negotiations or in Early Contractor Involvement stage and therefore it is probable that these will be converted to contracted projects in the year ending 30 June 2019 and subsequent years (this figure is provided as additional non-IFRS information).

The Group has opportunities to further improve cash resources from claim settlements and seek external financial support if required. The Group has also confirmed financial support from its ultimate parent company, Aveng Limited covering a minimum of 12 months from the date of these financial statements subject to consents that the Directors do not consider would be unduly withheld if required.

These detailed financial budgets and business plans that are being implemented by management indicate that the Group will have sufficient cash resources for the foreseeable future.

The Company has met its banking covenants for 30 June 2018 resulting in no breaches at year-end and forecasts indicate no breaches in the upcoming financial quarters.

The Group retains the support of its lenders, guarantee providers, and insurance bonding providers.

In the opinion of the Directors, the market opportunities in all areas in which the Group operates are strong and provide the basis to grow the Group's order book.

The Directors have considered the business plans and detailed financial budgets, including all available information, and whilst significant estimates and judgements including the impacts of the wider economic environment are always required the Directors are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of McConnell Dowell Corporation Limited and its subsidiaries as at 30 June each year (the Group).

Control over a subsidiary is achieved when the Group is exposed, or has the rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group deems it controls a subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns

When the Group has less than a majority of the voting or similar rights of a subsidiary, the Group considers all relevant facts and circumstances in assessing whether it has power over a subsidiary, including;

- The contractual arrangement with the other vote holders of the subsidiary
- Rights arising from the other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassess whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The parent's investments in controlled entities are initially recognised at cost and subsequently measured at cost, less any impairment charges.

Non-controlling interests not held by the Group are allocated their share of net profit after tax and each component of other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

All intercompany transactions and balances, income and expenses, and profits and losses resulting from intra-group transactions are eliminated on consolidation.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Both the functional and presentation currency of McConnell Dowell Corporation Limited and its Australian subsidiaries is Australian dollars ($). Where a subsidiary's functional currency is a different denomination it is translated to presentation currency (see below).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of group companies functional currency to presentation currency

On consolidation the assets and liabilities of foreign entities are translated into Australian dollars at rates of exchange prevailing at the reporting date. Income, expenditure and cash flow items are translated into Australian dollars at weighted average rates.

Exchange variations arising on translation for consolidation are recognised in the foreign currency translation reserve in equity, through other comprehensive income.

If a subsidiary were sold, such translation differences are recognised in the statement of profit or loss as part of the cumulative gain or loss on disposal.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash assets held in joint operations are available for use by the Group with the approval of the joint operation partners.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable may be impaired.

The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original interest rate.

INVENTORIES

Inventories comprise raw materials and consumable stores. Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2018

1. Accounting Policies (continued)

CONTRACTS IN PROGRESS AND OTHER RECEIVABLES

Contracts in progress and contract receivables, are carried at cost, plus profit recognised, less billings and recognised losses at the reporting date.
Contract costs include costs that relate directly to the contract as a result of contract activity, and those costs that can be allocated to the contract together with any other costs which are specifically chargeable to the customer in terms of the contract.

Progress billings not received are included in contract debtors. Where progress billings exceed the aggregate of costs, plus profit, less losses, the net amounts are shown as payables.

Contracting profit or loss recognition

Profit is recognised on an individual contract basis using the percentage of completion method, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract, and management's judgement of the contract progress and outstanding risks. Where a loss is anticipated on any particular contract, provision is made immediately in full for the estimated final contract loss.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (including forward currency contracts) to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. The fair values of derivatives are determined using a valuation technique based on cash flows discounted to present value using current market rates.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

INVESTMENTS IN ASSOCIATES

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Group's share of its associates' profits or losses is recognised in the statement of profit or loss, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of profit or loss as a component of other income, while in the consolidated financial statements they reduce the carrying amount of the investment.

After application of the equity method the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of profit or loss.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

INTEREST IN JOINT ARRANGEMENTS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operation, the Group entity as a joint operator recognises in relation to its interest in a joint operation, its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from its share of the output arising from the joint operation
- Share of the revenue from the output by the joint operation, and
- Expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Freehold buildings and other fixed assets are depreciated on a straight-line basis over their expected useful lives to an estimated residual value. The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 - 30 years
Leasehold improvements	1 - 5 years
Plant and equipment	2 - 15 years
Equipment under finance lease	2 - 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to rise from the use or disposal of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year in which the item is derecognised. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

LEASED ASSETS

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use of the asset, even if that right is not explicitly in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

GOODWILL AND INTANGIBLES

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is measured in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on relative values of the operation disposed of and the portion of the cash-generating retained unit.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

1. Accounting Policies (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL AND INDEFINITE LIFE INTANGIBLES

Goodwill and indefinite life intangibles are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstance indicate that they might be impaired. Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are carried at amortised cost and due to their short term nature they are not discounted. Amounts are unsecured and are usually paid within 60 days of recognition.

INTEREST BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in the statement of profit or loss in finance costs.

EMPLOYEE BENEFITS

Short-term benefits

Liabilities for wages, salaries and certain annual leave benefits expected to be settled within 12 months of the reporting date are recognised in employee benefit provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long-term benefits

The liability for long service leave and certain annual leave benefits is recognised in the employee benefits provisions and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

CONTRIBUTED EQUITY

Ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

Revenue from the rendering of services is recognised on an accrual basis over the period for which the services are rendered.

Revenue from construction contracts is recognised, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the reporting date. The percentage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract, and management's judgement of the contract progress and outstanding risks.

Variations in contract work and claims are included to the extent that it is probable that the customer will accept the claim and the amount can be measured reliably.

Interest income or expense from interest bearing financial assets is recorded using the effective interest rate (EIR). Interest income or expense is included in net interest income in the statement of profit or loss.

Dividends on equity instruments are recognised when the right to receive payment is established.

INCOME TAX

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date except where exempted by Australian Accounting Standards. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged to the statement of profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Management periodically evaluates position taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to estimates are recognised in the period in which the estimate is revised.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Actual results may differ from these estimates under different assumptions and conditions may materially affect financial results or the financial position reported in future periods.

Significant Accounting Judgements

Contracting revenue and profit and loss recognition

Judgements made in the application of the accounting policies for contracting revenue and profit and loss recognition include

- the determination of stage of completion,
- estimation of total contract revenue and total contract costs,
- assessment of the amount the client will pay for contract variations, and
- estimation of project production rates and program through to completion.

The construction contracts undertaken by the Group may require it to perform extra or change order work, and this can result in negotiations over the extent to which the work is outside the scope of the original contract or the price for the extra work.

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers, and executive management is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects and the associated judgements and estimates employed. Cost and revenue estimates and judgements are reviewed and updated monthly, and more frequently as determined by events or circumstances. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

In addition, many contracts specify the completions schedule requirements and allow liquidated damages to be charged in the event of failure to achieve that schedule; on these contracts, this could result in the Group incurring liquidated damages.

Material changes in one or more of these judgements and/or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

The Group will continue to focus on project execution and to reduce the financial impact of challenging contracts.

The Group continuously reassesses the position recognised on all its recorded uncertified revenue.

This process has included consideration for contractual claims relating the Gold Coast Rapid Transit (GCRT) project and Perth Airport Terminal Project, which remain outstanding and will take some time to resolve thus the final outcome both in terms of quantum and timing remains a significant risk. The Group will continue to robustly pursue its commercial entitlements in relation to these claims.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss.

Joint Arrangements

The Group currently conducts significant construction activities through various joint arrangements with other partners. In determining whether these joint arrangements are joint operations or joint venture in accordance with AASB 11 Joint Arrangements, management have applied significant judgements with whether arrangements are structured through a separate vehicle and the extent to which the terms of the contractual arrangements provide the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement.

Significant Accounting Estimates and Assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount in cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The details of these goodwill and intangibles impairment are disclosed in note 13.

Employee provisions

The company carries provisions for a number of employee entitlements including for bonus, redundancy and project incentives. These provisions are recognised and measured at the reporting date based on all available information in existence at that time, and while requiring management judgement of future outcomes, represent the best estimate of the amount required to settle the obligations. These obligations are both legal and constructive in nature. Movements in these provisions caused by revision to the estimate of fair value are recognised in the statement of profit and loss.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New Accounting Standards and Interpretations effective from 1 July 2017

Other than the following, the Group has not adopted any new or amended Accounting Standards or Interpretations that have had a material impact on the Group for the year ended 30 June 2018.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current period in Note 22.

NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below and the assessment of the estimated impact that the initial application will have on the consolidated financial statements are set out below. These will be adopted in the period that they become mandatory unless otherwise indicated:

	Standard/Interpretation	Effective date Periods beginning on or after
IFRS 15	Revenue from contracts with customers	1 July 2018
IFRS 9	Financial Instruments	1 July 2018
IFRS 16	Leases	1 July 2019
AASB Interpretation 23	Uncertainty over Income Tax Treatment	1 July 2019

AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The application of the standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: over time or at a point in time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Management has performed a high level assessment of the impact of the standard on its consolidated financial statements. Management continues with a detailed assessment to determine the extent of identified impacts.

Based on the high level assessment the application of this standard may include a possible change in the accounting for the following matters in particular:

- Variable consideration originating from variation claims for example will require a formal assessment in accordance with the recognition criteria of the new standard, including application of the constraint principle
- Construction contracts will require a formal assessment of the application of an over-time model versus a point in time revenue in order to confirm the current versus future revenue recognition process.

The impact cannot be reliably quantified at this stage.

The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with IFRS 15 requirements including the implications of adoption of the various transition options.

Based on the outcomes of the detailed assessments, referred to above, the Group will determine which transition option to apply.

1. Accounting Policies (continued)

AASB 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

AASB 9, the Australian equivalent to IFRS 9, replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost.

The change from an incurred loss model to an ECL model when assessing the impairment of contracts in progress, certified contract receivables and trade receivables is not expected to have a significant impact on the Group under the new standard. Based on the nature of the customer base and the low level of historic credit losses, bad debts are not considered a major expense to the Group.

The incurred loss model, currently is calculated on a client by client basis and only if a loss was expected for a specific client, a provision is raised. This will need to be adjusted to the ECL model, where expected future losses are included in the calculation and applied across the various portfolios of the trade receivables book and are to be applied to all customers.

The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with IFRS 7 and IFRS 9 requirements including the implications of adoption of the various transition options.

Based on the outcomes of the detailed assessments, referred to above, the Group will determine which transition option to apply.

The group is still in the process of determining the equity adjustment that may be required to account for the expected credit loss on its contracts in progress, certified contract receivables and trade receivables.

AASB 16 Leases

AASB 16 Leases replaces existing leases guidance, including AASB 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 July 2019. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group leases multiple assets such as buildings and motor vehicles for example as well as certain low value assets and short term leases and currently accounts for these as operating leases and also leases multiple assets such as mining equipment for example and currently accounts for these as finance leases.

Management has performed a high level assessment of the impact of the standard on its consolidated financial statements. Management continues with detailed assessment to determine the extent of these potential changes.

On application the current operating lease assets will be capitalised and reflected as lease assets (right-of-use-assets) and lease liabilities on the statement of financial position. The previous straight lining effect associated with AASB 117 accounting will be reversed, resulting in further accounting impacts on the consolidated financial statements.

On application the existing finance lease assets and liability will be remeasured in line with the requirements of the standard and reclassified and reflected as a lease assets (right-of-use-assets) and lease liabilities on the statement of financial position.

The statement of cash flows will be affected as well, with payments needing to be split between repayments of principal and interest.

The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with AASB 16 requirements including the implications of adoption of the various transition options. Based on the outcomes of the detailed assessments, referred to above, the Group will determine which transition option to apply.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects AASB 112. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group is still in the process of determining the impact of the changes in the accounting standard.

All figures are in A$ 000's	Note	Consolidated 2018	2017
2. Revenue and Income			
Revenue			
Construction contract revenue		**1,170,067**	905,569
Less: change in revenue estimates		**-**	(317,048)
REVENUE - GROUP		**1,170,067**	588,521
Other income			
Net gain on disposal of fixed assets		**7,599**	8,343
Other income		**3,598**	8,012
OTHER INCOME - GROUP		**11,197**	16,355
TOTAL REVENUE AND INCOME - GROUP		**1,181,264**	604,876

The Consolidated Entity's share of revenue from associates is excluded from revenue noted above and from the Statement of Profit or Loss in accordance with Australian Accounting Standards. Details of the Consolidated Entity's share of revenue from associates is provided as additional non-IFRS information below.

Revenue and income - Group		**1,181,264**	604,876
Revenue - Associates	11	**30,020**	30,265
REVENUE - GROUP AND ASSOCIATES		**1,211,284**	635,141

3. Operating Expenses

Operating expenses include the following items:			
Salaries & wages		**(298,084)**	(223,246)
Subcontractors		**(439,293)**	(331,229)
Materials		**(155,662)**	(209,090)
Plant costs		**(130,398)**	(70,865)
Indirect project costs		**(93,560)**	(52,080)
Administrative expenses		**(30,324)**	(25,105)
Operating lease payments		**(7,241)**	(7,251)
Forex gains		**373**	1,186
TOTAL OPERATING EXPENSES		**(1,154,189)**	(917,680)

4. Finance Income and Costs

Finance income			
Interest income		**961**	685
TOTAL FINANCE INCOME		**961**	685

Interest income is recognised and accrued on interest bearing cash accounts. Any amounts not recognised in closing cash balances, are accrued using the effective interest rate on an account by account basis.

Finance costs			
Interest expense		**(1,096)**	(1,134)
Other finance costs		**(1,753)**	(3,413)
TOTAL FINANCE COSTS		**(2,849)**	(4,547)

5. Dividends Paid

Dividends paid to non-controlling interest:			
Final unfranked dividend declared in the year	5a	**110**	278
TOTAL DIVIDENDS DECLARED AND PAID		**110**	278

5(a) - Dividends were declared and paid to the non-controlling interest of PT McConnell Dowell Indonesia (in whole dollars) of $110,106 (2017: $278,367).

All figures are in A$ 000's	Note	Consolidated 2018	2017
6. Taxation			
Current income tax:			
Current tax expense		**2,544**	1,977
Adjustment in respect of current year income tax of previous year		**752**	(1,899)
Deferred tax:			
Relating to origination, reversal and impairment of temporary differences		**251**	21,960
INCOME TAX EXPENSE REPORTED IN STATEMENT OF PROFIT OR LOSS		**3,547**	22,038

A tax credit (in whole dollars) of $442,000 (2017: tax credit of $148,000) was recognised directly in equity during the year (see note 24).

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2018 and 2017 is as follows: -

		2018	2017
Accounting profit / (loss) before income tax		**11,523**	(447,876)
Income tax expense at the statutory income tax rate of 30% (2017: 30%)		**3,457**	(134,363)
Adjusted for:			
Permanent differences and Non-assessable income		**(1,497)**	115
Share of (profit) / loss of associates		**191**	(460)
Withholding tax expensed		**1,182**	1,535
Utilisation of previously unrecognised losses		**(3,146)**	-
Tax losses not recognised		**4,353**	119,523
Adjustment in respect of current income tax of previous year		**(1,431)**	2,995
Effects of lower rates of tax on overseas income		**145**	(420)
Non deductible expenses		**-**	-
Non deductible expenses - impairment of deferred tax asset		**-**	33,250
Other items		**293**	(137)
INCOME TAX EXPENSE REPORTED IN STATEMENT OF PROFIT OR LOSS		**3,547**	22,038

Tax consolidation

McConnell Dowell Corporation Limited and its wholly owned Australian entities are members of the Aveng Australia Holdings Pty Ltd tax consolidated group with effect from the 12 May 2005. Members of the Group have entered into a tax sharing agreement (TSA) that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of the TSA on the basis that the possibility of default is remote.

Tax effect accounting by members of the Aveng Australia Holdings Pty Ltd consolidated tax group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting. The head entity and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. The Group has applied The Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidation group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

Members of the tax consolidated group have entered into a tax funding agreement. The agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the consolidated group in accordance with the principles of AASB 112 Income Taxes.

Nature of tax funding agreement

The Group has applied the "group allocation" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. This approach is based on a modified stand alone method, where the group measures its current and deferred taxes as if it continued to be a separate taxable entity adjusted for inter-group dividends and capital gains / (losses).

The tax funding agreement require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-company receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-company receivable / (payable) is at call.

The Australian consolidated tax group elected to adopt (i.e. 1 July 2009 onwards) into the new Taxation of Financial Arrangements ("TOFA") regime for financial instruments. The TOFA aims to align the tax and accounting treatment of financial arrangements. The election made is irrevocable. A transitional election was made to bring pre-existing arrangements into TOFA.

All figures are in A$ 000's	Note	Consolidated 2018	2017
7. Inventories			
Raw materials and components (at cost)		**1,940**	918
TOTAL INVENTORIES		**1,940**	918
8. Trade and other receivables			
Current			
Trade receivables		**132,642**	179,890
Retentions		**18,822**	8,666
Contracts in progress		**135,988**	157,796
Sundry receivables		**2,143**	1,514
Deposits and bonds		**1,839**	4,107
Receivables from associates - Dutco McConnell Dowell (ME) LLC		**679**	1,789
Receivables from other related parties		**2,354**	1,471
Provision for impairment loss		**(3)**	(3)
TOTAL CURRENT TRADE AND OTHER RECEIVABLES		**294,464**	355,230

8(a) - Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is made when there is objective evidence that a trade receivable is impaired.

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables. Details regarding the credit risk of current receivables are disclosed in Note 22.

At 30 June, the ageing analysis of trade receivables is as follows:

		2018	2017
0-30 days		**120,247**	166,597
31-60 days*		**5,877**	2,138
61-90 days*		**1,057**	385
91+ days*		**5,461**	10,770
TOTAL TRADE RECEIVABLES		**132,642**	179,890

8(b) - Sundry receivables are non-interest bearing and generally have 30 day repayment terms.

8(c) - Construction work in progress

	Note	2018	2017
Total work in progress	8(d)	**135,988**	157,796
Total progress billings in advance	15	**(108,350)**	(84,913)
NET CONSTRUCTION WORK IN PROGRESS		**27,638**	72,883

8(d) - Amounts due from contract customers includes $93.0 million (2017: $93.2million), which is currently subject to formal contract dispute processes.

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2018

All figures are in A$ 000's	Note	Consolidated 2018	2017
9. Statement of Cash Flows Reconciliation			
(i) Reconciliation of cash			
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash at bank		**108,059**	86,410
Cash in joint operations	9(a)	**33,566**	33,895
Cash on hand		**137**	138
TOTAL CASH AND CASH EQUIVALENTS		**141,762**	120,443

9(a) - Cash assets held in joint operations are available for use by the Group with the approval of the joint operation partners

(ii) Reconciliation of net cash flows from operating activities to operating profit after tax		2018	2017
Net profit / (loss) after tax from continuing operations		**7,976**	(469,914)
Depreciation & impairment of property, plant & equipment		**13,028**	16,948
Share of associated companies (profits) / losses		**636**	(1,533)
Effect of foreign exchange movements		**5,393**	(1,157)
Net gain on disposal of fixed assets		**(7,599)**	(8,343)
(Increase) / decrease in receivables & other assets		**60,704**	315,820
(Increase) / decrease in inventory		**(1,022)**	(37)
(Increase) / decrease in deferred tax (assets) / liability		**40**	21,960
Increase / (decrease) in trade & other payables		**(8,094)**	37,860
Increase / (decrease) in provisions		**(37,942)**	38,249
Increase / (decrease) in income tax payable		**(936)**	(7,155)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		**32,184**	(57,302)

10. Property, Plant and Equipment

All figures are in A$ 000's	Note	Land and buildings	Owned plant, equipment and vehicles	Leased plant, equipment and vehicles	Capital work-in-progress	Consolidated Total 2018
Cost 2018						
At 30 June 2017		21,147	220,474	5,334		**247,289**
Foreign exchange movements		195	281	-	4	**480**
Additions		390	10,040	-	290	**10,720**
Disposals	10(a)	(6,912)	(30,478)	(305)	-	**(37,695)**
Transfer asset held for sale	13	-	(27,188)	-	-	**(27,188)**
Reclassification of assets		-	5,029	(5,029)	-	**-**
AT 30 JUNE 2018		14,820	178,158	-	628	**193,606**
Accumulated depreciation 2018						
At 30 June 2017		8,980	175,328	3,103	-	**187,411**
Foreign exchange movements		147	(1,863)	-	-	**(1,716)**
Charge for period		1,020	11,712	296	-	**13,028**
Disposals	10(a)	(1,956)	(25,806)	(223)	-	**(27,985)**
Transfer asset held for sale	13	-	(17,412)	-	-	**(17,412)**
Reclassification of assets		-	3,176	(3,176)	-	**-**
AT 30 JUNE 2018		8,191	145,135	-	-	**153,326**
NET BOOK VALUE AT 30 JUNE 2018		6,629	33,023	-	628	**40,280**
						Total 2017
Cost 2017						
At 30 June 2016		21,441	256,417	4,523	192	**282,573**
Foreign exchange movements		(317)	(4,067)	-	68	**(4,316)**
Additions		22	15,546	811	122	**16,501**
Disposals	10(a)	-	(47,469)	-	-	**(47,469)**
Reclassification of assets		1	47	-	(48)	**-**
AT 30 JUNE 2017		21,147	220,474	5,334	334	**247,289**
Accumulated depreciation 2017						
At 30 June 2016		8,057	198,605	2,569	-	**209,231**
Foreign exchange movements		(56)	(3,004)	-	-	**(3,060)**
Charge for period		1,027	15,387	534	-	**16,948**
Disposals	10(a)	-	(35,708)	-	-	**(35,708)**
Reclassification of assets		(48)	48	-	-	**-**
AT 30 JUNE 2017		8,980	175,328	3,103	-	**187,411**
NET BOOK VALUE AT 30 JUNE 2017		12,167	45,146	2,231	334	**59,878**

Leased plant, equipment and vehicles are pledged as security for the related finance lease liability (see note 17).

All figures are in A$ 000's	Consolidated 2018	2017

11. Investments in and Loans to Associates

(a) Investment details

Unlisted		
Investment in Dutco McConnell Dowell Middle East LLC	**1,066**	1,669
Loan to Dutco McConnell Dowell Middle East LLC	**1,842**	3,540
NET INVESTMENT IN AND LOANS TO ASSOCIATES AND OTHERS	**2,908**	5,209

Dutco McConnell Dowell Middle East LLC (DMDME) is an unlisted company based in Dubai in the United Arab Emirates. Subsidiaries of DMDME include McConnell Dowell Abu Dhabi LLC based in Abu Dhabi, Dutco McConnell Dowell Qatar LLC based in Qatar, Dutco McConnell Dowell Saudi Arabia LLC based in Saudi Arabia, Dutco McConnell Dowell Fabrication LLC based in Qatar and McConnell Dowell Gulf LLC based in Oman.

The principal activities of the DMDME and its subsidiaries are civil, pipeline, mechanical, tunnelling & fabrication engineering and construction.

The Group has a 50% share of DMDME and its subsidiaries.

The loan to DMDME has no fixed maturity date and is non interest bearing.

(b) Summarised financial information

Dutco McConnell Dowell Middle East LLC has a 31 December year-end (inline with the local shareholder). This differs from the year-end of the Group.

Dutco McConnell Dowell Middle East LLC has the same accounting policies as the Group.

The Group' s share of bank guarantees issued by Dutco McConnell Dowell Middle East LLC is $3.9 million (2017: $8.1 million) for which no liabilities are expected to arise. There are no capital commitments as at balance date

Profits from the associate cannot be distributed without the consent of both the Group and the local shareholder.

The following table illustrates summarised information of the investment in Dutco McConnell Dowell Middle East LLC:

Unlisted		
Carrying amount of the investment		
At the beginning of the year	**1,669**	325
Exchange difference adjustments	**33**	(189)
Share of results after taxation	**(636)**	1,533
AT END OF YEAR	**1,066**	1,669

The assets, liabilities and results of the operations of the associate are summarised below:

Current assets	**23,712**	40,990
Non-current assets	**1,728**	2,748
TOTAL ASSETS	**25,440**	43,738
Current liabilities	**14,660**	37,350
Non-current liabilities	**8,650**	3,050
TOTAL LIABILITIES	**23,310**	40,400
NET ASSETS	**2,130**	3,338
Revenue	**60,040**	60,530
PROFIT / (LOSS) AFTER TAXATION*	**(1,272)**	3,066
TOTAL COMPREHENSIVE PROFIT / (LOSS) AFTER TAXATION	**(1,272)**	3,066

* The Group's share of profits / (losses) in DMDME and its subsidiaries is loss of $0.64 million (2017: profit of $1.5 million)

12. Interest in Joint Arrangements

Joint operations

Name	Principal activity	Principal place of business	Consolidated Ownership interest 2018 %	2017 %
McConnell Dowell / GE Betz / United Group Infrastructure (WSRW)	Construction	Australia	**20.0**	20.0
McConnell Dowell / ABI ADP (Adelaide Desalination)	Construction	Australia	**50.0**	50.0
McConnell Dowell / CCC (QCLNG)	Construction	Australia	**50.0**	50.0
McConnell Dowell / CCC (APLNG)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Geosea Australia (Hay Point)	Construction	Australia	**80.0**	80.0
McConnell Dowell / Bombardier Australia (GCRT)	Construction	Australia	**70.0**	70.0
McConnell Dowell / Thiess (Seaford Rail)	Construction	Australia	**40.0**	40.0
McConnell Dowell / OHL SA (K2K)	Construction	Australia	**50.0**	50.0
McConnell Dowell / SNC-Lavalin Australia Pty Ltd (Rolleston Coal)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Balfour Beatty (Springvale Rd Underpass)	Construction	Australia	**65.0**	65.0
McConnell Dowell / Downer (WTP)	Construction	Australia	**50.0**	50.0
McConnell Dowell / Martinus Rail (Murray Basin)	Construction	Australia	**80.0**	80.0
McConnell Dowell/Lend lease JV (ML JV Pty Ltd)	Construction	Australia	**50.0**	-
McConnell Dowell / CCC (MC Komo)	Construction	Papua New Guinea	**50.0**	50.0
McConnell Dowell / SNC Lavalin / PB Power (Te Mihi)	Construction	New Zealand	**42.5**	42.5
McConnell Dowell / Fletchers / Obayashi (Waterview)	Construction	New Zealand	**34.8**	34.8
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	Maintenance	New Zealand	**24.3**	-
McConnell Dowell / Downer EDI (Russley Rd)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (formerly) Hawkins (Connectus CRL)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Heb Contractors (Mangere BNR)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Downer (CSM2)	Construction	New Zealand	**50.0**	50.0
McConnell Dowell / Marina Technology & Construction (MBS)	Construction	Singapore	**65.0**	65.0
McConnell Dowell / BAM / SYS (VALE)	Construction	Malaysia	**40.0**	40.0
McConnell Dowell / SYS (Nestle)	Construction	Malaysia	**60.0**	60.0
McConnell Dowell / SYS (IKEA)	Construction	Malaysia	**80.0**	80.0
McConnell Dowell / SYS (Bintulu)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / SYS (SPJ)	Construction	Malaysia	**65.0**	65.0
McConnell Dowell / Kaden (Submarine Pipelines)	Construction	Hong Kong	**50.0**	50.0

Pursuant to the joint operation agreements, key operational decisions of the joint arrangements require a unanimous vote and therefore the consolidated entity has joint control, including in instances where the Group's interest is greater than 50%.

	Note	Consolidated 2018	2017
Statement of comprehensive income			
The Consolidated Entity's interest in the revenue and expenses of the joint operations is:			
Revenue		**358,556**	226,600
Less: change in revenue estimates		**-**	(235,000)
EXPENSES		**(332,282)**	(219,366)
PROFIT / (LOSS) BEFORE INCOME TAX		**26,274**	(227,766)
Statement of financial position extract			
In relation to the Consolidated Entity's interest in joint operations, the Consolidated Entity's assets (including share of assets held jointly) and liabilities (including share of liabilities held jointly) are:			
Cash assets	9	**33,566**	33,895
Current assets		**50,916**	121,683
NON CURRENT ASSETS		**-**	9,111
TOTAL ASSETS		**84,482**	164,689
CURRENT LIABILITIES		**69,054**	167,312
TOTAL LIABILITIES		**69,054**	167,312
NET ASSETS		**15,428**	(2,623)

12(a) - Cash assets held in joint operations are available for use by the Group with the approval of the joint operation partners

13. Asset Held for Sale

Asset held for sale is represented by a single vessel, being a self-elevating barge with gross tonnage of 1,197. The barge is surplus to the operational requirements of the Group and accordingly has been advertised for sale. The Group is seeking offers from interested parties via specialist brokers of marine vessels.

The asset is expected to be sold within the next twelve months.

All figures are in A$ 000's	Note	Consolidated 2018	2017
14. Deferred Tax Asset			
Deferred tax asset		**61,872**	61,586
Deferred tax liability		**(8,906)**	(8,580)
NET DEFERRED TAX ASSET		**52,966**	53,006
Net deferred tax asset represented by;			
At beginning of year		**53,006**	74,729
Foreign exchange impact on opening balance		**211**	-
Write down of deferred tax asset		**-**	(33,250)
Transfer (to) / from statement of profit or loss		**(251)**	11,527
CLOSING BALANCE		**52,966**	53,006
Balance at end of year comprises:			
Doubtful debts		**-**	-
Provisions / accruals		**35,778**	47,234
Fixed assets		**1,732**	3,490
Unrealised foreign exchange loss		**-**	-
Withholding tax on future dividends		**(6,346)**	(5,963)
Tax losses available for future utilisation		**21,408**	7,655
Joint operation temporary differences		**-**	905
Other		**394**	(315)
CLOSING BALANCE		**52,966**	53,006

The Group offsets its deferred tax liabilities against deferred tax assets relating to temporary differences in the same taxation jurisdictions and periods.

All movements in deferred tax balances have been charged to deferred tax expense as recognised in the statement of profit or loss.

The gross value of unbooked tax losses available for future utilisation within the Group are $557.9 million (2017: $511.6 million).

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and are not considered probable of recovery. Unbooked tax losses at 30 June 2018 is excess over the amount of tax losses that were deemed recoverable.

15. Trade and Other Payables

All figures are in A$ 000's	Note	Consolidated 2018	2017
Trade payables*		**82,462**	92,029
Project accruals		**97,270**	117,396
Progress billings in advance	8(c)	**108,350**	84,913
Other payables and accruals		**19,849**	11,748
Payables to other related parties	19	**2,247**	2,225
Payables to associates - Dutco McConnell Dowell (ME) LLC		**132**	93
TOTAL TRADE AND OTHER PAYABLES		**310,310**	308,404

* Trade payables are non-interest bearing and are normally settled on 30-day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. There is no collateral provided as security. Information regarding foreign exchange, interest rate and liquidity risk exposure is set out in Note 22.

15(a) - Other financial liabilities are foreign exchange forward contracts, refer to Note 22 for further information.

All figures are in A$ 000's	Note	Consolidated 2018	2017
16. Other Current Liabilities			
Other current liabilities	16	**-**	10,000
TOTAL OTHER CURRENT LIABILITIES		**-**	10,000

The other current liabilities balance at 30 June 2017 reflected an advance amount from a client, Perth Airport Pty Ltd.

The advance was repaid within the year ended 30 June 2018.

17. Interest Bearing Loans & Borrowings

	Note	2018	2017
Current			
Obligations under finance leases - Australia	17(a)	**-**	2,550
Obligations under finance leases - Singapore	17(b)	**13**	412
Obligations under finance leases - Singapore Vehicles	17(b)	**13**	25
Chattel mortgage at 6.81%	17(c)	**-**	532
Chattel mortgage at 5.90%	17(d)	**-**	2,293
Chattel mortgage at 7.00%	17(e)	**155**	113
Chattel mortgage at 5.45%	17(f)	**366**	126
Chattel mortgage at 4.58%	17(g)	**278**	142
Trade Finance Loan 4.63%	17(i)	**6,155**	-
Secured loan - Indonesia	17(h)	**4,799**	4,193
TOTAL CURRENT INTEREST BEARING LOANS & BORROWINGS		**11,779**	10,386
Non-current			
Obligations under finance leases - Singapore Vehicles		**116**	135
Chattel mortgage at 7.00%	17(e)	**194**	263
Chattel mortgage at 5.45%	17(f)	**757**	390
Chattel mortgage at 4.58%	17(g)	**517**	301
Secured loan - Indonesia	17(h)	**6,799**	10,132
TOTAL NON-CURRENT INTEREST BEARING LOANS & BORROWINGS		**8,383**	11,221
TOTAL CAPITALISED FINANCE LEASE OBLIGATIONS	20	**142**	3,122

17(a) - The Group had entered into finance lease agreements in Australia for the sale and leaseback of construction equipment. The term of the obligation was 5 years with an average cost of funding of approximately 5.8%. The leases had no terms of renewal and no obligation to repurchase. Finance lease obligations were secured against the equipment purchased.

17(b) - The Group has entered into finance lease agreements in Singapore for the sale and leaseback of construction equipment. The term of the obligation is average 2.5 years with an average cost of funding of approximately 1.5%. The leases have no terms of renewal and no obligation to repurchase. Finance lease obligations are secured against the equipment purchased.

17(c) - In September 2014 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 3 years with a fixed cost of funding of 6.81%. The mortgage was secured by plant and equipment.

17(d) - In June 2016 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 2 years with a fixed cost of funding of 5.90%. The mortgage was secured by plant and equipment.

17(e) - In August 2016 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 4 years with a fixed cost of funding of 7.00%. The mortgage is secured by plant and equipment.

17(f) - In April 2017 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 4 years with a fixed cost f funding of 5.45%. The mortgage is secured by plant and equipment.

17(g) - In June 2017 the Group entered into an Equipment Chattel Mortgage. The term of the obligation is 3 years with a fixed cost of funding of 4.58%. The mortgage is secured by plant and equipment.

17(h) - In November 2016 the Group entered into a secured loan agreement in Indonesia. The term of the obligation is 4 years with a fixed cost of funding of 4.6%. The loan has no terms for renewal, and has an option for the drawdown of further funds. The loan obligation is secured against land & building held.

17(i) - In April 2018 the Group entered into a 100 day loan to finance fabricated steel procured from China. The interest rate was 4.63%. It was repaid in July 2018.

Information regarding foreign exchange, interest rate and liquidity risk exposures are set out in Note 22.

All figures are in A$ 000's	Note	Consolidated 2018	2017
18. Provisions			
Current			
Employee provisions	18(a)	**21,974**	21,935
Other	18(b)	**7,416**	45,065
TOTAL CURRENT PROVISIONS		**29,390**	67,000
Non - current			
Employee provisions	18(a)	**2,143**	2,325
Other		**2,002**	2,152
TOTAL NON-CURRENT PROVISIONS		**4,145**	4,477

18(a) - Employee benefits: The Group has provided for expected costs in relation to annual leave, long service leave, staff bonuses, long term staff incentive scheme and other employee related provisions.

18(b) - Current other provisions:
Balance includes certain provisions for quantifiable and probable project risks recognised relating to historical projects

19. Related Parties

Amounts receivable / (payable) from related parties at balance date

The receivables / (payables) due to McConnell Dowell Corporation Ltd and it's subsidiaries relate to interest on the loan from the immediate parent Aveng Australia Holdings Pty Ltd ("AAH") and cost reimbursements for goods and services provided to / (from) AAH and its subsidiaries and subsidiaries of the ultimate parent Aveng Ltd.

All figures are in A$ 000's	Note	2018	2017
Aveng Australia Holdings Pty Ltd - current receivable	8	**2,058**	1,200
Aveng Australia Holdings Pty Ltd - current loan	19(a)	**(10,000)**	(170,000)
Aveng Rail Australia Pty Ltd - current receivable	8	**266**	242
Aveng (Africa) Ltd - current receivable	8	**30**	29
Aveng (Africa) Ltd - current payable	15	**(2,247)**	(1,951)
Aveng Manufacturing Lennings Rail - current payable	15	**-**	(274)
TOTAL RECEIVABLES / (PAYABLES)		**(9,893)**	(170,754)

Related party transactions are receivable / payable on demand subject to cash flow availability.

Ultimate parent

(1) - The ultimate parent of the Group is Aveng Limited (a company incorporated in South Africa). Aveng Limited own 100% of the issued ordinary shares in Aveng Australia Holdings Pty Ltd.

(2) - The immediate Australian parent of the Group is Aveng Australia Holdings Pty Ltd. Aveng Australia Holdings Pty Ltd owns 100% of the issued ordinary shares in McConnell Dowell Corporation Limited.

19(a) On 15th September 2017, $147m of this loan was converted into ordinary share capital (see note 23).

All figures are in A$ 000's	Consolidated 2018 Minimum Payments	Consolidated 2017 Minimum Payments	Consolidated 2018 Present value of payments	Consolidated 2017 Present value of payments

20. Commitments

Finance lease commitments

The future minimum lease payments under finance leases are as follows:				
- less than one year	**33**	3,126	**31**	2,949
- more than one year but less than five years	**131**	100	**124**	94
- more than five years	**12**	35	**11**	33
Total minimum lease payments	**176**	3,261	**166**	3,076
Less amounts representing finance charges	**(34)**	(139)	**(32)**	(131)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**142**	3,122	**134**	2,945

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows: -	2018	2017
- less than one year	**7,294**	6,399
- more than one year but less than five years	**19,258**	13,756
- more than five years	**5,152**	2,592
TOTAL MINIMUM LEASE PAYMENTS	**31,704**	22,747

21. Contingent Liabilities

Contingent liabilities at balance date, not otherwise provided for in the annual financial statements, arising from guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:	2018	2017
- Bank guarantees	**58,126**	115,346
- Letters of credit	**4,918**	7,305
- Insurance bonds	**222,481**	215,572
TOTAL CONTINGENT LIABILITIES	**285,525**	338,223

The Group has banking and bonding facilities of $464.6 million (2017: $601.0 million). The assets of the Group are pledged under a fixed and floating charge as security for the United Overseas Bank facility of $100.0 million. As at 30 June 2018 the Group had $179.0 million (2017: $262.8 million) available (unused) under these facilities.

The Group sometimes has claims that arise out of engineering and construction contracts that have been made by or against the Group in the ordinary course of business. Please refer to Significant Accounting Judgements, Estimates and Assumptions in Note 1 for further information.

The Group is subject to routine tax audits via the ATO in Australia and in certain other overseas jurisdictions. The ultimate outcome of any tax audit cannot be determined within any acceptable degree of reliability at this time.

The Group believes that it is making adequate provision for its taxation liabilities (including amounts shown as current and deferred tax liabilities). However, there may be an impact to the Group if any revenue authority investigations results in an adjustment that increases the Group's taxation liabilities.

22. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash and short-term deposits, receivables, payables and interest bearing liabilities. The Group also provides performance guarantees for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed

The Group has developed a risk management process to facilitate, control and monitor its exposure to key financial risks. This process includes the formal documentation of policies, including limits, controls and reporting structures.
The Group does not trade in financial instruments.

Primary responsibility for identification and control of financial risk rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below. Details of the significant accounting policies and methods adopted, including the criteria for recognition of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the foreign operations functional currency) and the Group's net investments in foreign subsidiaries.

The Group seeks to mitigate the effect of its foreign currency exposure by holding financial instruments in the currency to which the underlying activities of the Group are exposed. The majority of both foreign currency sales and expenses are denominated in the functional currency of the transacting operating entity. The Group manages its foreign currency exposures by attempting to make contract receipts in the same currency as contract payments thereby naturally hedging any exposures.

Furthermore, from time to time the Group uses derivative financial instruments (including forward currency contracts) to hedge its risks associated with foreign currency fluctuations. At balance date the mark to market liability associated to outstanding forward currency contracts is immaterial.

	Consolidated	
All figures are in A$ 000's	**2018**	**2017**
As at balance date, the Group had the following exposure to foreign currency:		
Financial assets		
Cash and cash equivalents	**12,768**	26,406
Trade and other receivables	**4,312**	9,968
TOTAL FINANCIAL ASSETS	**17,080**	36,374
Financial liabilities		
Trade and other payables	**10,329**	16,128
Total financial liabilities	**10,329**	16,128
TOTAL EXPOSURE	**6,751**	20,246
The net exposure to foreign currency consists of:		
Chinese Yuan	**(175)**	(673)
Euro	**244**	1,169
Indonesian Rupiah	**1,322**	6,677
New Zealand Dollars	**163**	170
Papua New Guinea Kina	**(26)**	(26)
South African Rand	**(2,246)**	-
Singapore Dollars	**(1,025)**	2,182
Thai Baht	**-**	(40)
United Arab Emirates Dirham	**1,825**	3,524
United Kingdom Pounds	**123**	-
US Dollars	**2,498**	7,163
Australian Dollars	**3,972**	-
Other	**75**	100
TOTAL EXPOSURE	**6,751**	20,246

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance date, with all other variables remaining constant:

At balance date, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower)		Equity higher / (lower)	
All figures are in A$ 000's	**2018**	**2017**	**2018**	**2017**
Consolidated				
10% increase in AUD rates with all other variables held constant	**(430)**	(1,512)	**(430)**	(1,512)
10% decrease in AUD rates with all other variables held constant	**525**	1,848	**525**	1,848

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a 5 year historical basis and market expectations for potential future movement.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents. All interest bearing loans and borrowings (see note 17) are at fixed rates. Given the nature of financial assets and liabilities exposed to interest rate risk, management does not consider interest rates to be a significant risk to the Group.

The Group does not have any interest rate swaps in place, but does constantly analyse its interest rate exposure. Within this analysis consideration is given to existing positions, alternative financing and the mix of fixed and variable interest rates.

		Consolidated	
All figures are in A$ 000's	**Note**	**2018**	**2017**
As at balance date, the Group had the following exposure to interest rates:			
Financial assets			
Cash and cash equivalents		**141,762**	127,562
TOTAL FINANCIAL ASSETS		**141,762**	127,562
TOTAL EXPOSURE		**141,762**	127,562

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance date, with all other variables remaining constant:

At balance date, had interest rates moved, as illustrated in the table below, post tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower)		Equity higher / (lower)	
All figures are in A$ 000's	**2018**	**2017**	**2018**	**2017**
Consolidated				
100 basis point increase in interest rates with all other variables held constant	**992**	893	**992**	893
100 basis point fall in interest rates with all other variables held constant	**(992)**	(893)	**(992)**	(893)

22. Financial Risk Management Objectives and Policies (continued)

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. There are no significant concentrations of credit risk. Loans receivable from associate companies and joint arrangements comprise a number of entities. The group also holds letters of credit with certain financial institutions. Exposure at balance date is addressed in each specific note.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating and industry reputation. Risk limits are set and monitored for each individual customer in accordance with parameters set up by the board. Credit value represents the credit quality of the amounts.

The Group has facilities under which various lenders/financiers provide guarantees and bonding facilities. The Group only obtains facilities from credit worthy third parties and does not consider there to be a concentration of credit risk among these parties.

Receivable balances are monitored on an ongoing basis with the results being that the Group's exposure to bad debts is not significant. The Group contracts with a number of third parties and does not consider that there is a concentration of credit risk with individual third parties.

Liquidity Risk

Liquidity risk is the risk that the Group and parent is unable to meet its financial obligations as they fall due.

The Group's objective is to maintain a balance between operational cash flow and the use of external funding through bank overdrafts and available lines of credit. The Group's policy is to minimise the use of available lines of credit, keep interest costs to a minimum, whilst still maintaining an adequate cash balance to meet working capital requirements.

Contracts in progress and contract receivables, are carried at cost, plus profit recognised, less billings and recognised losses at balance sheet date. Progress billings not received are included in contract debtors due to the contractual right associated with the amounts. Where progress billings exceed the aggregate of costs, plus profit, less losses, the net amounts are shown as an increase in trade and other payables.

The cash flow of the Group is exposed to execution risks on construction projects. Cash flows can also be adversely affected by clients being unwilling to resolve variations to contracts in a timely manner. The Group attempts to manage these issues in order that adequate liquidity exists.

The following table reflects all contractual fixed payments for settlement, resulting from recognised financial liabilities as of 30 June 2018. Cash flows from financial liabilities without fixed amounts or timing are based on conditions existing at 30 June 2018.

The remaining contractual maturities of the Group's financial liabilities are:

Year ended 30 June 2018 Consolidated	0 - 30 days	30 - 60 days	60 - 90 days	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities							
Trade and other payables	**59,041**	**87,778**	**27,060**	**25,702**	**-**	**-**	**199,581**
Interest free loan from Aveng Australia Holdings	**-**	**-**	**-**	**12,247**	**-**	**-**	**12,247**
Interest bearing loans and borrowings - current	**6,668**	**513**	**513**	**4,084**	**-**	**-**	**11,778**
Interest bearing loans and borrowings - non current	**-**	**-**	**-**	**-**	**8,382**	**-**	**8,382**
TOTAL EXPOSURE	**65,709**	**88,291**	**27,573**	**42,033**	**8,382**	**-**	**231,988**

Year ended 30 June 2017 Consolidated	0 - 30 days	30 - 60 days	60 - 90 days	3 - 12 months	1 - 5 years	over 5 years	TOTAL
Financial liabilities	68,755	78,164	25,451	26,917	-	-	199,287
Trade and other payables	-	-	-	10,000	-	-	10,000
Other current liabilities	-	-	-	132,000	-	-	132,000
Interest free loan from Aveng Australia Holdings	542	544	547	5,027	-	-	6,660
Interest bearing loans and borrowings - current	-	-	-	-	5,896	-	5,896
Interest bearing loans and borrowings - non current							
TOTAL EXPOSURE	69,297	78,708	25,998	173,944	5,896	-	353,843

The Group monitors the net working capital position on an ongoing basis and uses a rolling forecast of liquidity using expected cash flow. At balance date in addition to the accumulated working capital position of the Group, the Group has approximately $179.0 million (2017: $262.8 million) of unused bank guarantee and bonding facilities available for its immediate use. The Group has the ongoing financial support of its ultimate parent, and a letter of ongoing support.

All figures are in A$ 000's

Changes in liabilities arising from financing activities	1 July 2017	Cash Flows	Foreign Exchange Movement	New Loans	30 June 2018
Current interest- bearing loans and borrowings	7,399	(2,497)	3	6,848	11,753
Current obligations under finance leases and hire purchase contracts	2,987	(2,961)	-	-	26
Non-current interest-bearing loans and borrowings	11,086	(3,731)	-	912	8,267
Non-current obligations under finance leases and hire purchase contracts	135	(19)	-	-	116
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**21,607**	**(9,208)**	**3**	**7,760**	**20,162**

The Group classifies interest paid as cash flows from operating activities.

22. Financial Risk Management Objectives and Policies (continued)

Excessive Risk Concentration

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments effecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures includes specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Fair Value

The fair value of all current financial assets and liabilities held by the Group approximate the individual carrying values of those assets and liabilities. Non-current interest bearing loans and borrowings held by the Group approximates its carrying value (except as disclosed in note 20).

The Group can use various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group uses foreign exchange forward contracts ("FEFC") to manage some of its transaction exposure. The FEFC's are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months. They are classified as fair value through profit or loss, with Level 2 methods used to estimate the fair value. At 30 June 2018 the Group had not booked any FEFC market to market transactions (2017: nil)

The FEFC's are valued using market observable inputs, applying a forward pricing model using present value calculations. The model incorporates foreign exchange spot and forward rates and the credit quality of counterparties.

		Consolidated	
All figures are in A$ 000's	**Note**	**2018**	**2017**
23. Contributed Equity			
Issued and paid capital			
Ordinary share capital			
216,555,362 (2017: 69,555,362) fully paid ordinary shares	23(a)	**217,765**	70,765
Preference share capital			
400,000 (2017: 400,000) fully paid non redeemable 9.53% per annum cumulative preference shares	23(b)	**40,000**	40,000
TOTAL CONTRIBUTED EQUITY		**257,765**	110,765

23(a) - Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the amounts of paid shares held. On 15th September 2017 Aveng Limited approved the recapitalisation of $147m of the non-interest bearing shareholder loan into ordinary share capital.

23(b) - Preference shares entitle the holder to participate in dividends prior to ordinary shareholders. They are entitled to an amount of 9.53% of the face value of shares per annum. The declaration of any dividend is at the discretion of the Company. If dividends are not paid, or are not paid in full, any unpaid amounts accumulate to a maximum value of the investment. Voting and all other rights are the same as ordinary shareholders.

The cumulative value of dividends not paid on preference shares (in whole dollars) is $18,088,723 (2017: $14,276,723)

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders.

24. Reserves

	Note	Consolidated 2018	2017
Issued and paid capital			
At beginning of year		**(4,389)**	(647)
Current year movement		**2,579**	(3,890)
Current year tax (expense) / benefit recognised directly in equity		**442**	148
At end of year	24(a)	**(1,368)**	(4,389)
Asset revaluation reserve			
At beginning of year		**385**	385
Current year movement		**-**	-
At end of year	24(b)	**385**	385
Capital reserve			
At beginning of year		**2,811**	2,811
Current year movement		**-**	-
At end of year	24(c)	**2,811**	2,811
TOTAL RESERVES AT END OF YEAR		**1,828**	(1,193)

24(a) - The foreign currency translation reserve is used to translate the assets and liabilities of foreign controlled entities into Australian dollars at rates of exchange ruling at the reporting date.

24(b) - The asset revaluation reserve represents the amount above original cost of land and buildings.

24(c) - The capital reserve is used to meet certain statutory obligations of setting up new subsidiaries in foreign jurisdictions.

All figures are in A$ 000's

25. Retained Earnings

	Note	Consolidated 2018	2017
At beginning of year		**(94,458)**	375,522
Current year profit /(loss)		**7,806**	(469,980)
TOTAL RETAINED EARNINGS AT END OF YEAR		**(86,652)**	(94,458)

26. Interests in Subsidiaries

				Consolidated	
		2018 %	2017 %	2018 000's	2017 000's
	Country of incorporation	Percentage of equity held by the consolidated entity		Investment	
McConnell Dowell Holdings Pty Ltd	**Australia**	**100**	100	**89,590**	89,590
McConnell Dowell Holdings Pty Ltd has the following investments in subsidiaries:					
Hylekite Pty Ltd	Australia	**100**	100		
McConnell Dowell Constructors (Aust.) Pty Ltd	Australia	**100**	100		
McConnell Dowell Pty Ltd	Australia	**100**	100		
McConnell Dowell Corporation (NZ) Pty Ltd	Australia	**100**	100		
Tweed River Entrance Sand Bypassing Company Pty Ltd	Australia	**100**	100		
Built Environs Pty Ltd	Australia	**100**	100		
Built Environs Qld Pty Ltd	Australia	**100**	100		
Built Environs Holdings Pty Ltd	Australia	**100**	100		
Built Environs WA Pty Ltd	Australia	**100**	100		
McConnell Dowell (American Samoa) Ltd	American Samoa	**100**	100		
McConnell Dowell PDS Sdn Bhd	Brunei	**100**	100		
McConnell Dowell (Fiji) Ltd	Fiji	**100**	100		
PT. McConnell Dowell Indonesia*	Indonesia	**94**	94		
PT Wanamas Puspita	Indonesia	**100**	100		
PT. McConnell Dowell Services	Indonesia	**100**	100		
McConnell Dowell (Malaysia) Sdn Bhd	Malaysia	**100**	100		
McConnell Dowell - Kelana Sdn Bhd	Malaysia	**30**	30		
McConnell Dowell Constructors Ltd	New Zealand	**100**	100		
McConnell Dowell (Offshore) Ltd	New Zealand	**100**	-		
McConnell Dowell Philippines Inc	Philippines	**40**	40		
McConnell Dowell Constructors (PNG) Ltd	PNG	**100**	100		
McConnell Dowell Saudi Arabia Ltd	Saudi Arabia	**39**	39		
McConnell Dowell South East Asia Pte Ltd	Singapore	**100**	100		
McConnell Dowell Constructors Thai Ltd - Ordinary Shares	Thailand	**100**	100		
NFI Holdings Ltd	Thailand	**100**	100		
McConnell Dowell (UK) Limited	United Kingdom	**100**	100		
Stockton Pipelines Limited	United Kingdom	**100**	100		
McConnell Dowell International Ltd	Hong Kong	**100**	100		
McConnell Dowell Constructors Hong Kong Ltd	Hong Kong	**100**	100		
McConnell Dowell NC S.A.R.L.	New Caledonia	**100**	100		
McConnell Dowell Constructors Lao Co. Ltd	Laos	**100**	100		
***Non-controlling equity interests in controlled entities**					
Reconciliation of non-controlling equity interests in controlled entities:-					
Opening balance				**257**	481
Share of current year profit				**170**	66
Dividend paid				**(110)**	(278)
Share of reserve movements (FCTR)				**12**	(12)
CLOSING BALANCE				**329**	257

26. Interests in Subsidiaries (cont.)

Deed of cross guarantee

McConnell Dowell Corporation Limited, McConnell Dowell Holdings Pty Ltd, McConnell Dowell Constructors (Aust.) Pty Ltd, Hylekite Pty Ltd, McConnell Dowell Pty Ltd, McConnell Dowell Corporation (NZ) Pty Ltd, Tweed River Entrance Sand Bypassing Company Pty Ltd, Built Environs Pty Ltd, Built Environs WA Pty Ltd, Built Environs Qld Pty Ltd & Built Environs Holdings Pty Ltd are parties to a deed of cross guarantee ("Closed Group") under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly-owned companies) Instrument 2016/785, issued by the Australian Securities and Investment Commission.

	Closed Group	
All figures are in A$ 000's	**2018**	**2017**
Consolidated statement of comprehensive income for the year ending 30 June 2018		
Revenue	**707,689**	378,593
Less: change in revenue estimates	**-**	(303,000)
Net Revenue	**707,689**	75,593
Other income	**7,544**	17,744
TOTAL INCOME	**715,233**	93,337
Operating expenses	**(697,536)**	(463,998)
Finance income	**689**	609
Finance costs	**(2,601)**	(5,223)
Depreciation and impairment of fixed assets	**(4,418)**	(7,543)
Bad debt	**-**	(10,754)
Profit / (loss) before tax	**11,367**	(393,572)
Income tax benefit	**(730)**	(30,657)
PROFIT / (LOSS) AFTER TAX FOR THE YEAR	**10,637**	(424,229)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	**10,637**	(424,229)
Attributable to:		
Members of the parent entity	**10,637**	(424,229)
Non-controlling interest	**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	**10,637**	(424,229)

During the year no dividend was declared and paid to Aveng Australia Holdings Pty Ltd, the immediate parent of McConnell Dowell Corporation Ltd (2017: nil).

Notes to the Annual Financial Statements (continued)

For the year ended 30 June 2018

26. Interests in Subsidiaries (cont.)

All figures are in A$ 000's

	Closed Group 2018	Closed Group 2017
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018		
Current assets		
Cash & cash equivalents	**64,375**	59,148
Trade and other receivables	**187,247**	290,153
Inventories	**76**	219
TOTAL CURRENT ASSETS	**251,698**	349,520
Non-current assets		
Property, plant and equipment	**17,747**	19,036
Trade and other receivables	**20,034**	11,034
Investments in subsidiaries	**37,524**	27,445
Deferred tax assets	**41,754**	42,137
TOTAL NON-CURRENT ASSETS	**117,059**	99,652
TOTAL ASSETS	**368,757**	449,172
Current liabilities		
Trade and other payables	**181,766**	184,369
Interest bearing loans and borrowings	**6,954**	5,757
Non interest bearing loans and borrowings - shareholder loan*	**10,000**	170,000
Provisions	**20,287**	83,479
TOTAL CURRENT LIABILITIES	**219,007**	443,605
Non-current liabilities		
Trade and other payables	**8,005**	19,704
Interest bearing loans and borrowings	**1,468**	954
Provisions	**3,649**	4,014
Total non-current liabilities	**13,122**	24,672
Total liabilities	**232,129**	468,277
NET ASSETS	**136,628**	(19,105)
Equity		
Contributed equity	**257,765**	110,765
Reserves	**9,010**	8,984
Retained earnings	**(130,147)**	(138,854)
TOTAL EQUITY	**136,628**	(19,105)

The following information is pro-forma financial information, and is provided as additional non-IFRS information:

Share Issue

On 15th September 2017 Aveng Limited approved the recapitalisation of $147m of the non-interest bearing shareholder loan into ordinary share capital.

All figures are in A$ 000's	Note	Consolidated 2018	2017

27. Parent Entity Information

Information relating to McConnell Dowell Corporation Limited

	Note	2018	2017
Current assets		**24,637**	370,556
Total assets		**326,829**	815,879
Current liabilities		**13,447**	205,383
Total liabilities		**70,702**	709,309
NET ASSETS		**256,127**	106,570
Issued capital		**257,765**	110,765
Retained earnings		**(1,638)**	(4,195)
TOTAL SHAREHOLDERS' EQUITY		**256,127**	106,570
Profit / (loss) after tax		**2,557**	(6,801)
Total comprehensive income / (expense)		**2,557**	(6,801)

McConnell Dowell Corporation Limited guarantees all bank and bonding facilities issued across the Group (see Note 21 for details).

McConnell Dowell Corporation Limited is party to a deed of cross guarantee (see Note 26 for details).

28. Directors and Executive Remuneration

Income paid or payable, or otherwise made available to key management personnel by entities in the consolidated Group in connection with the management of affairs of the parent or its controlled entities. Key management personnel are those persons with authority and responsibility for the planning, directing and controlling of the activities of the Group and its controlled entities, directly or indirectly, including any director (whether executive or otherwise).

	Note	2018	2017
Fixed term remunerations		**7,237**	7,859
Short term incentives (STI)		**144**	-
Long term incentives (LTI)	28(a)	**520**	427
TOTAL COMPENSATION		**7,901**	8,286

28(a) - Included within the LTI are longer term and deferred incentives paid to Directors and key management personnel including share appreciation rights awarded by the ultimate parent of the Group (Aveng Ltd).

	Consolidated	
	2018	2017
29. Auditors' Remuneration		
The auditor of McConnell Dowell Corporation Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**479,000**	536,379
- Other services in relation to the Entity, its joint operations and any other entity in the consolidated Group		
- Assurance related services	**620,000**	216,302
- Tax compliance related services	**-**	-
	1,099,000	752,681
Amounts received or due and receivable by related practices of Ernst & Young Australia for*:		
- An audit of the financial report of the Entity and any other entity in the consolidated Group	**227,000**	246,621
- Tax Compliance related services	**16,777**	14,811
	243,777	261,432
Total received or due and receivable by Ernst & Young	**1,342,777**	1,014,113
Amounts received or due and receivable by non Ernst & Young firms for:		
- An audit of the financial report of the entities in the consolidated Group	**48,645**	9,060

* all figures reported in this note are in whole dollars

30. Events subsequent to balance date

There were no significant events subsequent to balance date

Directors' Declaration

For the year ended 30 June 2018

In accordance with a resolution of the Directors of McConnell Dowell Corporation Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of McConnell Dowell Corporation Limited for the financial year ended 30 June 2018 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

S.V. Cummins

Director
25 September 2018

Independent Auditor's Report

For the year ended 30 June 2018

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Independent Auditor's Report to the Members of McConnell Dowell Corporation Limited

Opinion

We have audited the financial report of McConnell Dowell Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Building a better working world

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

David Shewring
Partner
Melbourne
25 September 2018

Retail Store Conversion, Singapore

DRIVING PROGRESS

Amrun Export Facility, Queensland Australia